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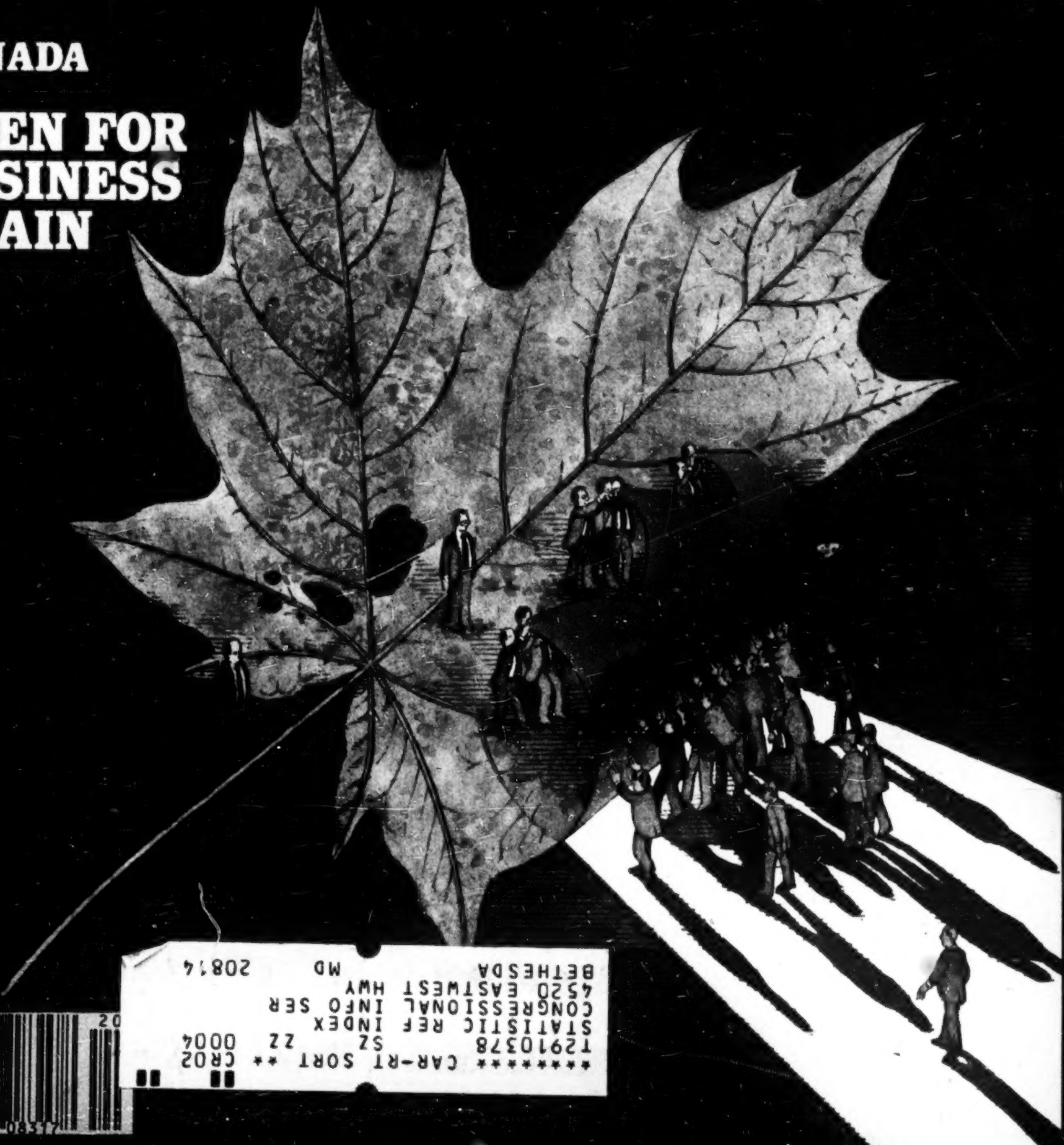

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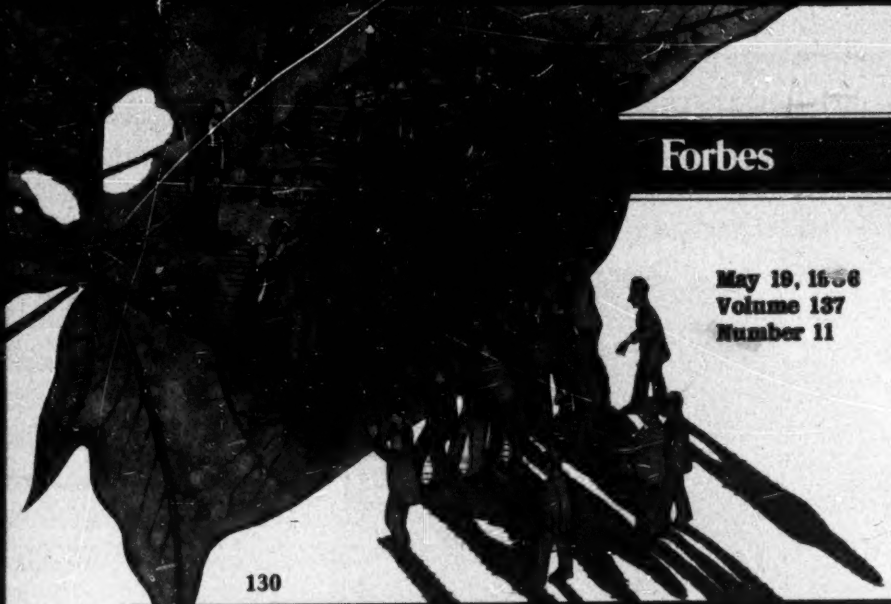
Forbes

May 19, 1986
Volume 137
Number 11



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May 19, 1986 Volume 137 Number 11 Forbes (ISSN 0015 6914) is published biweekly except weekly during two weeks in April, two weeks in September and two weeks in October, by Forbes Inc., 60 Fifth Ave., New York, N.Y. 10011. Second-class postage paid at New York, N.Y. and at additional mailing offices. Subscription $42 a year, U.S.A. Postmaster: Send address changes to Forbes, 60 Fifth Ave., New York, N.Y. 10011. Copyright © 1986 Forbes Inc. Title is protected through a trademark registration in the U.S. Patent Office.

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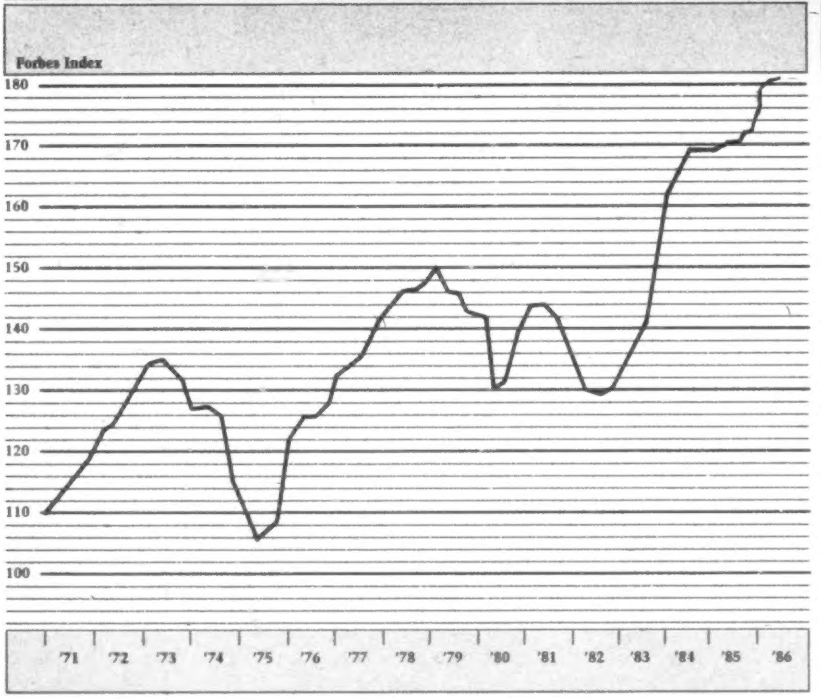
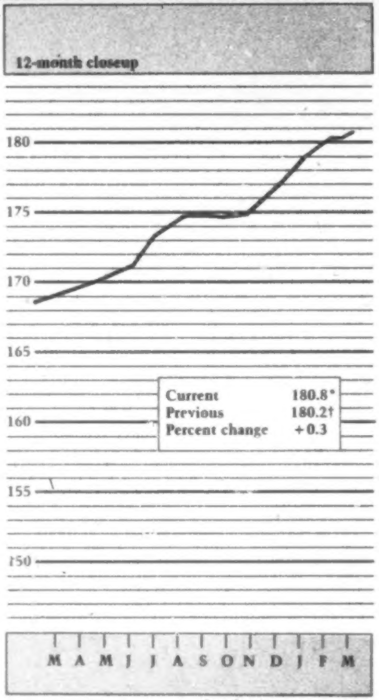
The Forbes Index





Current	180.8*
Previous	180.2†
Percent change	+0.3

*preliminary †revised

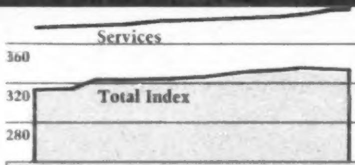
Warm-weather effect. New housing starts in March rose 41% from February and contributed to a 0.3% rise in the Forbes Index. But the news on the housing front could have been better, especially in light of the decline in mortgage rates. The 150,000 March housing starts were only 3.5% higher than during March 1985. Also contributing to the rise in the Forbes Index were personal income and consumer installment debt, up by 0.5% and 0.9%, respectively. The rise in debt, however, was the smallest increase since last June.

The slowdown in borrowing hampered retail sales, which were off 0.8%. Industrial production, hurt by declines in oil and gas drilling and steel and auto production, fell by 0.5%, to 125% of the 1977 base.

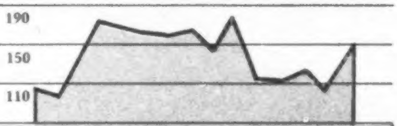
The Forbes Index Components

The Forbes Index is a measure of U.S. economic activity composed of eight equally weighted elements: Total industrial production, new claims for unemployment compensation, the cost of services relative to all consumer prices, the level of new orders for durable goods compared with manufacturers' inventories, total retail sales, new housing starts, personal income, total consumer installment credit.

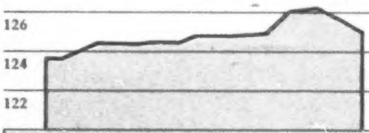
To measure these eight elements, FORBES monitors ten series of U.S. government data. The last 14 months' data for each series are presented at right.



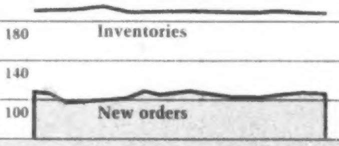
Consumer price indexes (1967 = 100)
all urban consumers, unadjusted (Dept. of Labor)



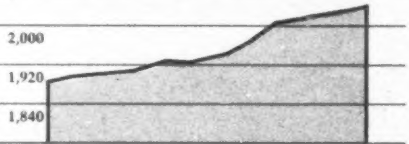
New housing starts (thousands)
privately owned, unadjusted (Dept. of Commerce)



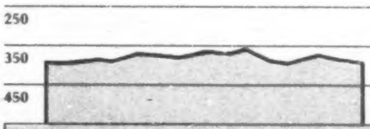
Industrial production index (1967 = 100)
seasonally adjusted (Federal Reserve)



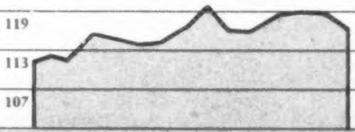
Manufacturers' new orders and inventories
($billions) seasonally (Dept. of Commerce)



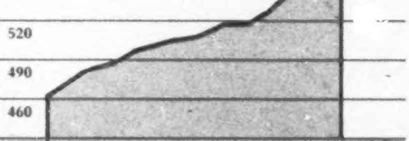
Personal income ($billions) wage and salary disbursements, seasonally adjusted (Dept. of Commerce)



Unemployment claims average for month
(thousands) seasonally adjusted (Dept. of Labor)



Retail store sales ($billions)
seasonally adjusted (Dept. of Commerce)



Consumer installment credit ($billions)
total, seasonally adjusted (Federal Reserve)

Your typical Japanese may be frugal, but his government most certainly is not. Japan's public debt burden is one of the heaviest among the industrial nations. Now you know why the Japanese are so reluctant to stimulate their economy further.

A yen to spend

Genji Takahashi of Rokkasho
"We are negotiating for more compensation."

Norman Gall

By Norman Gall

In the snow country of northern Japan, along the windy coast of the Mutsu peninsula, nestles the fishing village of Rokkasho. In more ways than one, Rokkasho is a microcosm for post-World War II Japan. "The winters used to be seasons of hunger," says a 52-year-old fisherman, Genji Takahashi, recalling the 1950s and early 1960s. "We were so poor that our boots and gloves were made of straw. During the hunger season, when our only road was cut by snow and rain, we used rice bran to make flour. We were like the mountain people in the Philippines."

But now Rokkasho glitters with the results of government spending. There is a big town hall, a splendid firehouse with seven gleaming engines, a hospital, schools, clinics and an old-age home, and modern equipment for garbage collection and for maintaining the roads and clearing them of snow.

Fisherman Takahashi? No more straw gloves for him in winter. He and his family received close to $1 million for their fishing rights when the Japanese government took their marshlands for an industrial park. And Takahashi is hoping for more: "Now the government wants to put a nuclear fuel reprocessing plant in our industrial park. We think that may be dangerous and are negotiating for more compensation."

Forget the clichés about a frugal Japanese government. Japan is full of Takahashis and Rokkashos. All this makes for a happier Japan than the Japan of old, but it also costs a lot of money. Unfortunately, like Americans, Japanese do not like to pay taxes. According to the latest available OECD figures, the Japanese government's debt burden is even heavier than our own. In spite of the fact that the Japanese taxpayer is contributing almost nothing to the defense of the Free World, Japan's gross public debt outstanding came to 69.4% of gross national product last year, against 48.3% for the supposedly profligate U.S. Interest on Japan's debt absorbs 20% of public spending—compared with 14% in the U.S.

Does this matter? It does. The prosperity of Rokkasho and all that debt help explain why our trade frictions with the Japanese are likely to persist. They help explain why Prime Minister Yasuhiro Nakasone could pledge fundamental economic reforms in his tête-à-têtes with President Reagan last month—then quickly backtrack on those pledges the moment he returned home.

The average Japanese citizen dearly loves his government handouts but is even more adamantly opposed to higher taxes than Americans are. People in both countries want to get but not to give. Reluctant to raise taxes to fund those big deficits, Japan's politicians borrowed heavily.

But the spending and borrowing began to frighten many Japanese. It is useful to remember that since the 1868 Meiji restoration opened the country to the world, Japan has been wracked repeatedly by inflation. More like the Germans than the Americans, the Japanese shy away from policies that might reignite inflation—even as they continue to demand their government goodies.

Responding to the voters' inflation fears, the politicians have been cutting spending and borrowing where they can. The Japanese have cut their combined central and local government deficit from 4.5% of GNP in 1980 to 1.4% last year.

But the burden of debt remains—and so does the fright thrown into the Japanese by the yawning deficits of the early 1980s. Now, to reduce the trade surplus with the U.S., the Japanese will have to consume more at home. But how can the government stimulate the economy without reviving the unpopular deficits?

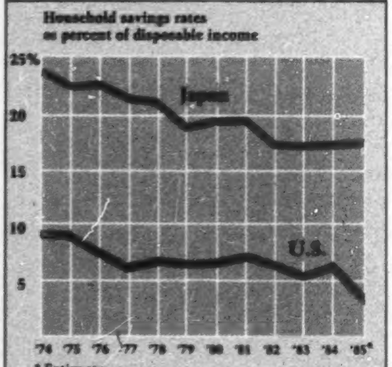
Moreover, Japanese officials respond to U.S. calls for more government pump-priming by arguing that the effects of spending stimulus, known as the fiscal multiplier, lessen as economies become more service-oriented. For this reason the impact of pump-priming is less than half what it was around 1960. Says Takuji Matsuzawa, chairman of the Fuji Bank: "Even if fiscal spending is expanded, it will not stimulate business further and will not lead to a sizable reduction in the current account surplus."

This year, even though the national budget will hold the line, local government spending will grow by 4.6%. "We have to stimulate the local economies," says Joji Omura, an ex-bureaucrat who has been in the Diet for 35 years and now heads the Liberal Democratic Party's local affairs committee. "We must improve rivers, land, roads, bridges, tunnels, sewage systems, schools, meeting halls and local government buildings."

The government money thus spread around produces solid LDP majorities and keeps Japan's income distribution among the most equally balanced in the world. But it also feeds the deficit and thereby dampens enthusiasm politicians might have for reforming and further stimulating the economy.

Dissaving graces?

As government safety nets develop, Japanese families are finding it less necessary to save.



* Estimate.

Source: Bank of Japan; 1986 Economic Report of the President.

If the U.S. and Japan are similar in their spending habits, they are not similar in their saving habits. Americans pay for the deficit in good part by borrowing abroad from foreigners willing to buy U.S. government securities. The Japanese now hold something like $100 billion in U.S. government paper. So dependent is the U.S. bond market on Japanese savings and investment that the U.S. market went into a slump last month when a fast-rising yen began to make U.S. bonds a risky investment for Japanese.

That's quite a burden the Japanese savers bear: financing the deficits of both their native land and distant America. The Japanese have been

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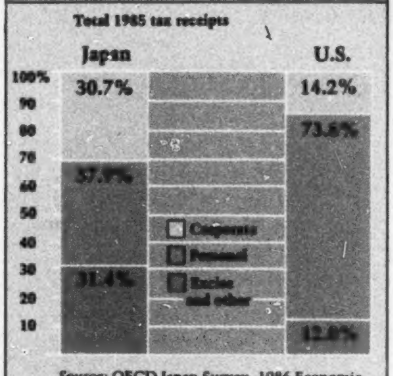
lending large sums to the U.S. government, as well as to their own. As a result, down the road the American taxpayer may wind up paying huge sums to Japan through future interest payments, without the benefit, as now, of getting automobiles and VCRs in return.

And while Japanese tax rates are comparable to American, their respective effect on savings is not similar. Japanese personal tax rates are low by international standards, but rates for Japanese business aren't: The average tax burden on Japanese corporations in 1983, for example, was over 60%, twice the U.S. burden, according to Iwao Nakatani, an economics professor at Osaka University.

But isn't this kind of taxation fundamentally antibusiness? Not at all.

Hidden incentives

Passed on to consumers, heavy taxes on Japanese companies tend to discourage consumption.



Source: OECD Japan Survey, 1986 Economic Report of the President.

In the end, business passes on most of the burden to the consumer: What looks like a tax on business is at bottom a tax on consumption. Accordingly, the Japanese tax system encourages saving, discourages consumption. Annual mortgage deductions, moreover, are limited to the equivalent of $1,100, and consumer credit interest is not deductible at all. So Japan's savings pile grows.

Note the resemblance between the existing Japanese tax system and the reform originally proposed by the Reagan Administration. The Reagan reforms, for example, would have eliminated mortgage interest on second homes; increased IRA contribution ceilings for married couples; made investments in fixed-income securities more interesting by slashing income tax rates. The lobbyists and their congressmen have turned Reagan's brave effort into a bad joke—just

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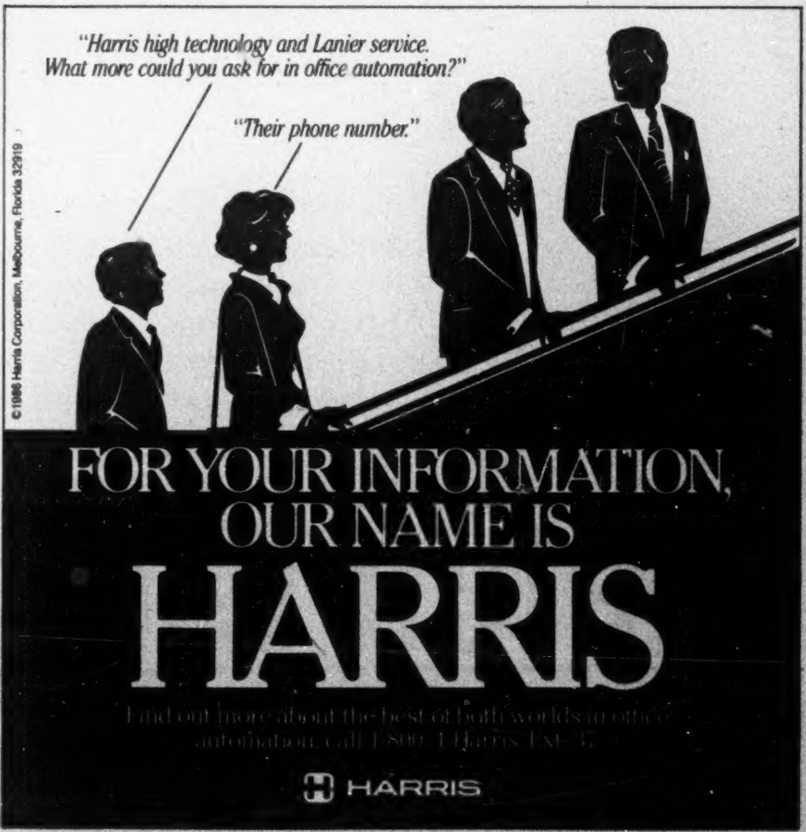
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as Japanese politicians are making it difficult for Nakasone to reform his economy.

All this means no one should look for the Japanese to become overnight a nation of spendthrifts. Faced with a difficult choice, the Japanese apparently have decided to put up with a high-priced yen rather than risk higher deficits. But remember, as we lessen the bite of Japanese industrial competition, so, accordingly, do we lessen Japanese ability and willingness to do our saving for us. ■

Budget-making, Japanese style

"We've been trying something like Gramm-Rudman for the past few years," says Makoto Fujii of the Finance Ministry's Budget Bureau. "It's called minus-zero ceiling. You set the ceilings and then go for the cuts. Each ministry has to cut its budget to a lower ceiling."

Fujii ticks off progress made: "We've cut subsidies by 6% over the past three years. We've cut national government financing of public works and made local governments borrow more. We've raised social security contributions and health care fees, and cut back benefits. Spending was held to 1982 levels as the economy grew."

Hakuo Yanagisawa, a former Finance Ministry bureaucrat who won a Diet seat in 1980, explains how seriously the budget process is taken: "The first draft of each ministry's budget goes not to the Finance Ministry but to the appropriate committee of the Liberal Democratic Party. Each committee head is a specialist in his area. There's lots of discussion between politicians and bureaucrats before the budget is approved. But when the budget reaches the Diet, it's seldom changed."

But elected officials bestow benefits on the voters rather than make demands on their pocketbooks. Because so much of Japan's voting power is in the countryside, the job of Japan's ruling politicians is to preserve the 9-3-1 rule by which salaried workers pay taxes on 90% of their earnings, the self-employed on 30%, and farmers on 10%. At the same time, the politicians must keep money flowing into these economically marginal districts.—N.G.

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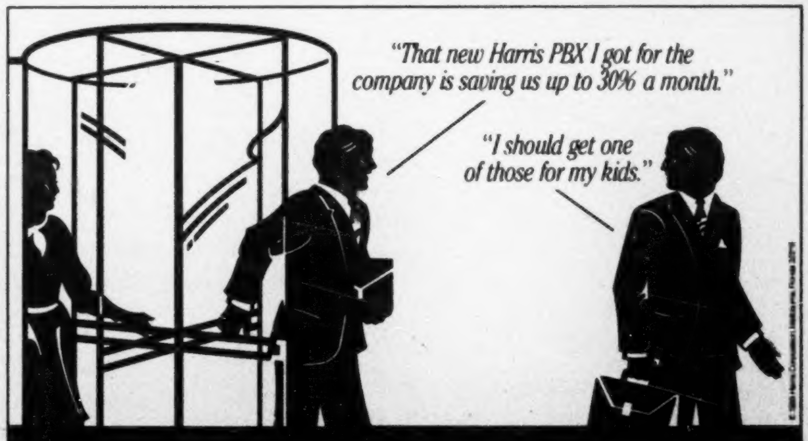
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From a land of limitless possibilities 20 years ago, Canada transformed itself into a bristly, chauvinistic spendthrift. Now it is having its own version of the Reagan revolution, and smart U.S. businessmen and investors smell opportunity.

Good neighbors again

Canapress Photo

By Edwin A. Finn Jr. and Richard C. Morais

CANADA BLEW IT. Our northern neighbor could have had the best of all worlds: French culture, British-style government and a U.S. business climate. Instead, it got French-style government, a British business climate and U.S. culture.

But that's changing fast, at least the business environment. Nothing better illustrates the new Canada than its intense, and successful, lobbying in the Finance Committee of the U.S. Senate earlier this month. Joining Ronald Reagan in some strong-arm tactics, Prime Minister Brian Mulroney's Progressive Conservative government prodded the committee to let the U.S. start free-trade talks with Canada. More than any other measure, a free-trade pact would end Canada's economic and political isolationism and bring its economy into the modern age *(see box, p. 134).*

Since Mulroney was elected 20 months ago, he has dismantled many nationalistic, antibusiness regulations imposed during the Trudeau years. Like Reagan and Margaret Thatcher, Mulroney is part of this decade's worldwide revival of capitalism. Ideological and confrontational Mulroney is not, but neither is he a prisoner of the outdated, semi-socialist ideas that infected so many of his predecessors.

In his brief time in office, Mulroney has already deregulated Canada's oil industry and has started on transportation and financial markets. Even more significant, Mulroney gutted the National Energy Program, which had forced non-Canadian oil companies to sell billions of dollars of assets, and the Foreign Investment Review Act, which had stunted foreign investment since its passage in 1974. He has brought Canada back from the economic isolationism that was crimping the nation's growth, increasing its unemployment and depressing its standard of living.

"Investment in Canadian industry is once again a matter of business judgment rather than political gamble," says Arden R. Haynes, chairman of Imperial Oil Ltd., Exxon's Canadian affiliate.

U.S. companies have been quick to respond. The biggest coup is General Motors' decision to spend $1.44 billion expanding its car plant in Oshawa, Ont., about 30 miles east of Toronto. "Canada continues to be one of the world's best-kept secrets," says George A. Peapples, president of GM Canada.

Merrill Lynch was surprised when a worldwide study identified Canada as one of its best expansion opportunities. Since that McKinsey & Co. study, Merrill Lynch Canada has enlarged its underwriting and trading operations and acquired a major Canadian merger and acquisition firm. Merrill Lynch's Canadian revenues were up 49% last year.

Sears, Roebuck is certainly bullish. "As soon as the political climate changed [in 1984], we saw an almost instantaneous economic resurgence, and we started to open the throttle on capital spending," says Richard Sharpe, chairman of Sears Canada Inc. Sharpe more than doubled capital spending, to $45 million, last year, upgrading nearly a quarter of his 75 stores.

Before Mulroney's election Sears' capital spending was "just enough to keep the roof from leaking," points out Sharpe, who adds that Sears Canada's profit doubled last year, to $54 million.

Other people are rediscovering Canada, too. Investment applications from foreigners jumped 20% for the ten months ended Apr. 20. Foreign holdings of Canadian stocks and

Prime Minister Brian Mulroney addressing the House of Commons in Ottawa
Seeking an end to Canada's economic and political isolationism.

bonds rose 19% last year.

Has Canada's stock market responded? Not spectacularly. The Toronto exchange last year climbed 21%, lagging the 26% increase in the S&P's 500. And in the first quarter Toronto inched up only 5% as against a 13% rise for the S&P's 500. But that limp performance was attributed mainly to declining oil stocks.

Individual Canadian stocks, on the other hand, have appreciated handsomely. Shares of Celanese Canada have shot up 81% since year-end, largely because of lower petroleum feedstock prices. CDC Life Sciences rose 43%, partly on the strength of its new heart drug.

Then there's CAE Industries Ltd., the auto and defense electronics company whose shares have climbed 86% since the end of 1985. CAE shares should continue to outperform the market, says Ross Healy, head of research at Merrill Lynch Canada.

The fuel for such price rises is Canada's energetic economy, which grew 4.4% last year. That's a faster growth rate than for any other major industrialized country. The pace is expected to slow only slightly this year, keeping Canada among the world's hottest industrialized economies. Capital spending, meanwhile, rose a robust 8% in 1985, double 1984's rate. It probably will increase a bit this year, a Herculean feat in light of steep spending cuts in Canada's oilfields.

If there's a nagging concern, it's Canada's budget deficit. It remains 30% greater than the U.S.' deficit as a percentage of GNP. The resultant government borrowing helped push interest rates as much as 4½ percentage points above the U.S. rates.

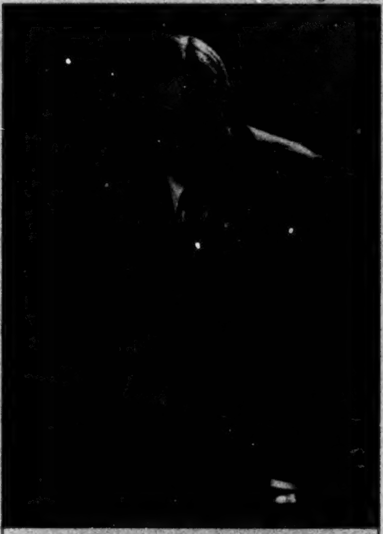
Mulroney waffled on his budget-cutting pledges in his first year, trimming the deficit a Milquetoast 11%.

Lately, however, the prime minister's cost-cutting zeal appears renewed, and businessmen are expressing relief. "It's taking a bit longer than we expected, but I think Mulroney's getting his act together," says Robert Collins-Wright, chairman of Whirlpool Corp.'s Canadian subsidiary, Inglis Ltd.

One cause for optimism is Mulroney's most recent budget. It calls for a further 16% reduction in the deficit, to $21.2 billion, in the fiscal year that began Apr. 1. After an initial hesitation, the financial world showed its approval, keeping the Canadian dollar firmly at 72 U.S. cents. In the weeks before the new budget was unveiled, skepticism on Mulroney's budget-cutting resolve had pushed Canada's dollar below 70 U.S. cents.

The Canadian dollar is likely to jump even higher if Mulroney sticks to his guns. "If we get this deficit down . . . then there's going to be a little lift under our currency," Finance Minister Michael Wilson told FORBES.

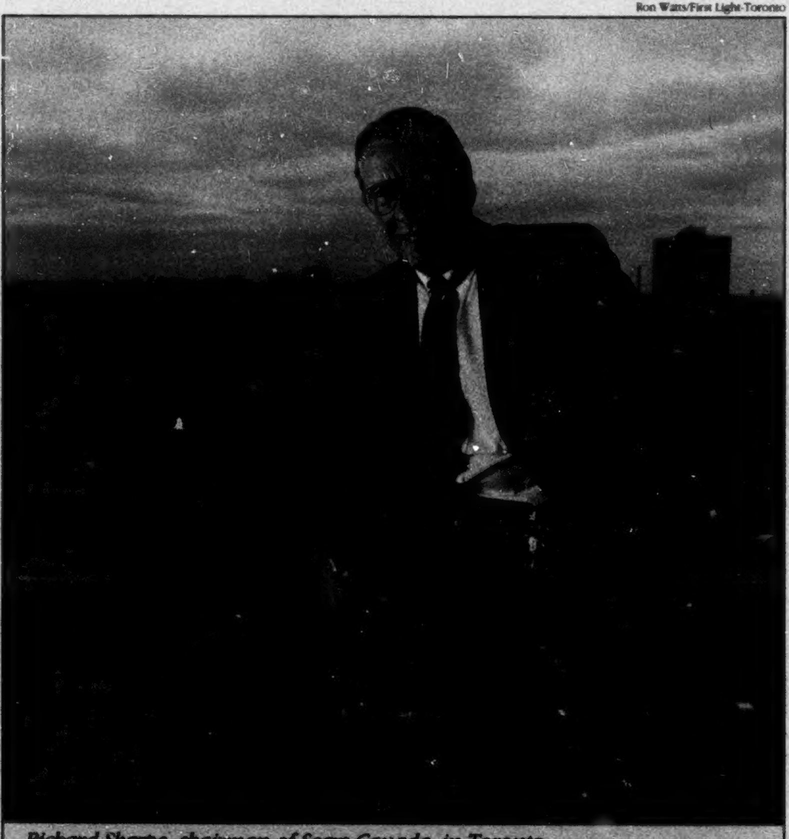
Brian Willer/First Light-Toronto



Finance Minister Michael Wilson
A little lift for Canada's dollar?

Some investors agree. They are buying Canadian shares, both to participate in the strong economy and to benefit from what they hope will be a higher Canadian dollar. Gilbert de Botton, president of London-based Global Asset Management, has been buying shares of Alcan Aluminium Ltd., partly on the assumption that the Canadian dollar is undervalued. "We feel aluminum prices have bottomed out, so we could buy Alcoa or Reynolds or Kaiser Aluminum, but the depressed state of the Canadian dollar makes Alcan the number one opportunity," says de Botton.

Ron Watts/First Light-Toronto



Richard Sharpe, chairman of Sears Canada, in Toronto
Before 1985, he spent "just enough to keep the roof from leaking."

Murray Grossner, an analyst at Richardson Greenshields in Toronto, recommends Brunswick Mining & Smelting, a zinc company that hasn't enjoyed the recent runup of competitors like Cominco Ltd. Grossner sees Brunswick Mining's share price increasing by as much as 50% over the next year, as zinc continues to fight back against substitutes. "Ford used to make its Cougar grilles out of plastic; now they've gone back to zinc. And zinc is used in rustproofing, too," he says.

For an even longer-term play, look at Canadian Pacific Ltd. John Templeton's funds are shareholders, and the Bronfmans are said to have just bought a 2% stake for about $70 million. Investing in Canadian Pacific is something like buying into a Canadian mutual fund. It's in hotels, airlines, oil, lumber, railroads, real estate, steel, mining and shipping.

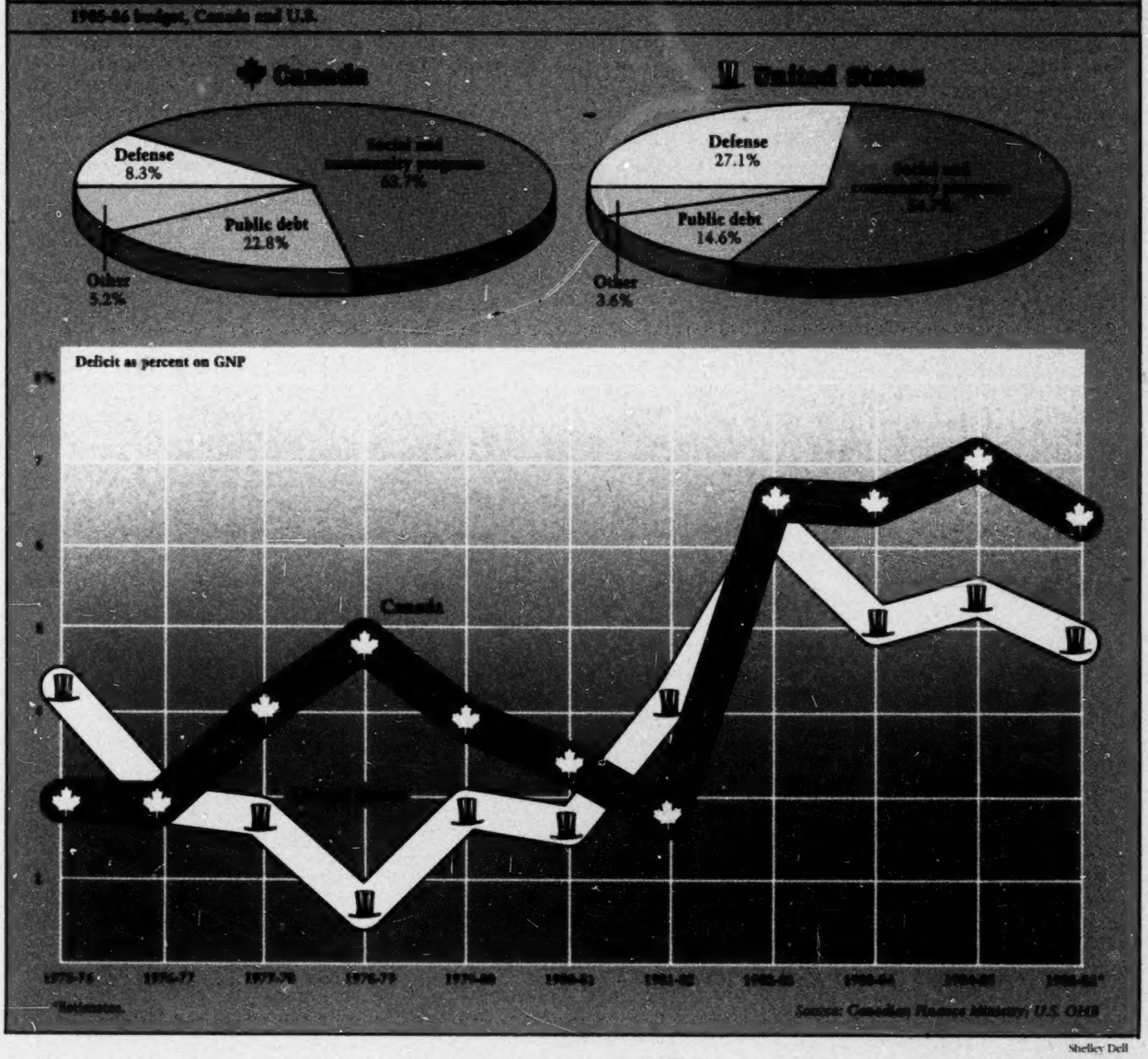
The conglomerate has been hurt by soft oil prices, but it has thousands of acres of oilfields and timberlands. Some of the properties were acquired more than 100 years ago and are carried on the books at 19th-century prices. The difference between historic and current values is $8 billion—$26 a share on a stock that sells for around $13.

Canada's banking sector is also attracting investor attention. Two big Canadian banks closed last year, depressing the entire industry. But some smart investors, including the Templeton funds, are buying into Canadian banks that have little energy or Third World debt exposure. The Bank of Nova Scotia is a prime example, analysts say.

Not that Canada's old welfare-state psychology is entirely dead. "Canadians are program junkies," says Desmond Morton, a University of Toronto history professor. Indeed, they defend their programs with a passion that borders on Parisian. Take the $14 million-a-year program that gave young people nine-month jobs and recommended they eat more granola and less red meat. The program's elimination this spring prompted its founder, Liberal Senator Jacques Hébert, to launch a 22-day hunger strike in the Houses of Parliament, spending his nights in a sleeping bag on the building's marble floor and his days

Curing Canada's "program junkies"

Canada's most persistent problem, its budget deficit, remains 30% greater than the U.S. deficit as a percentage of GNP. Mulroney has begun to trim Canada's generous social programs, but he'll have to cut deeper. Otherwise, the Canadian dollar could be driven as low as 62 U.S. cents.



*Estimates.

Source: Canadian Finance Ministry; U.S. OMB

Shelley Dell

sitting on a sheepskin beneath an 8-foot-high painting of King George V.

"Mulroney has no compassion," Hébert says, echoing the slogan many U.S. leftists hurl at Ronald Reagan. "Unless we make some drastic changes, many of our young people will never work in their lifetimes. . . . For them, I have to go to the limits of my strength."

Canada's unemployment rate remains at a worrisome 9.6%. But it is doubtful that Hébert's programs are the answer. Unemployment stood 2% higher when Mulroney took office from his free-spending predecessors.

In the end, Mulroney will be forced to cut more programs. If he turns squeamish—and his ministers insist he won't—the Canadian dollar will get buried by foreign exchange traders, sending Canada's economic resurgence into a tailspin. "The Mulroney people will bend heaven and earth to bring their budget in on target," says Merrill Lynch's Healy. "If they don't, the dollar will take the deep six for another 10 cents."

Scrambling to get its affairs together, the Canadian government itself has become an investment opportunity. The government has already sold four state companies for $341 million, including unprofitable de Havilland Aircraft to Boeing Corp. And some huge share offerings are expected. "We've only scratched the surface," says Robert de Cotret, president of Canada's Treasury Board and supervisor of privatization.

In fact, the bulk of Canada's 54 state-run companies, with total assets of $38.4 billion, is being readied for the auction block. That includes Air Canada, with $1.8 billion in sales last year; Petro-Canada, with $6.5 billion in oil and gas assets; Teleglobe Canada, which has a monopoly on placing the country's overseas phone calls; and Canadian National Railway Co., which has $5.4 billion in assets, including seven luxury hotels.

To be sure, direct investment in Canada means accepting more government involvement than in the U.S. That's the way Canada is. Yet some companies are turning that to their advantage. Pay and benefits for an autoworker in Oshawa, for example, are 30% less than for an autoworker in Detroit, partly because Canada's national medical plan effectively cuts GM's benefit costs.

Or take the tale of two plants being built by TIE/communications, the Shelton, Conn.-based maker of telephone systems. Its Quebec plant, built ahead of schedule, cost 30% less than a comparable New Jersey plant. The reason: fierce competition among Quebec builders and a 50% government grant worth $5.2 million for all land, building and equipment.

That's not all. Once the plant was running, Hydro-Quebec paid 50% of TIE's first-year energy bill and 10% thereafter. Then the federal and provincial governments provided grants of around $6 million for research and employee trainee programs.

Despite such opportunities, there are investment pitfalls. Slack oil prices indicate several years of slow

Moosehead beer, anyone?

Washington is knee-deep in protectionist trade bills, and that troubles Canadians. Things are so bad that the Senate Finance Committee, irked by cheap Canadian lumber imports, almost squelched upcoming negotiations aimed at ending trade barriers between the U.S. and Canada.

To the folks up in Canada, these free-trade talks are vital. After all, the U.S. buys 80% of Canada's exports, so the prospect of being closed out of the U.S. market is especially bothersome for Canadians.

Take the makers of Moosehead Beer, based in Saint John, N.B. Moosehead trucked 144 million bottles of beer into the U.S. last year, almost as much as it sold in Canada. Deterred by law from expanding in Canada beyond New Brunswick and Nova Scotia, Moosehead Breweries Ltd. launched an aggressive U.S. sales campaign in 1978, allowing the company to double output. Now Moosehead simply can't afford to lose the States as a market.

Neither can Canada. Two million Canadians, or 16% of the country's workers, owe their jobs to exports bound for the U.S. Clearly, what Canada wants from trade talks is free and guaranteed access to the U.S. market.

For many Canadian companies, the only road to increased sales is the one Moosehead has taken, south of the border. "If we want to grow any more, we've got to get into a bigger, compatible market, and that's the States," says Ron McLean, sales manager at Dominion Blueline, a Montreal-based stationery company.

What's more, guaranteed access to the U.S. marketplace would help Canada attract foreign companies. It's already using its limited access to woo Asian and European companies. Hyundai, the South Korean auto manufacturer, has agreed to build a $216 million plant in Bromont, Que. that will serve both the U.S. and Canadian markets. And Kirin Breweries Co., which is Japan's largest beermaker, is eyeing Canada as the home for a North American brewery.

The pitch is that foreign companies can build plants in Canada to service a combined U.S.-Canadian market of 265 million consumers. That's a lot more interesting than selling Canada alone, with its 26 million people.

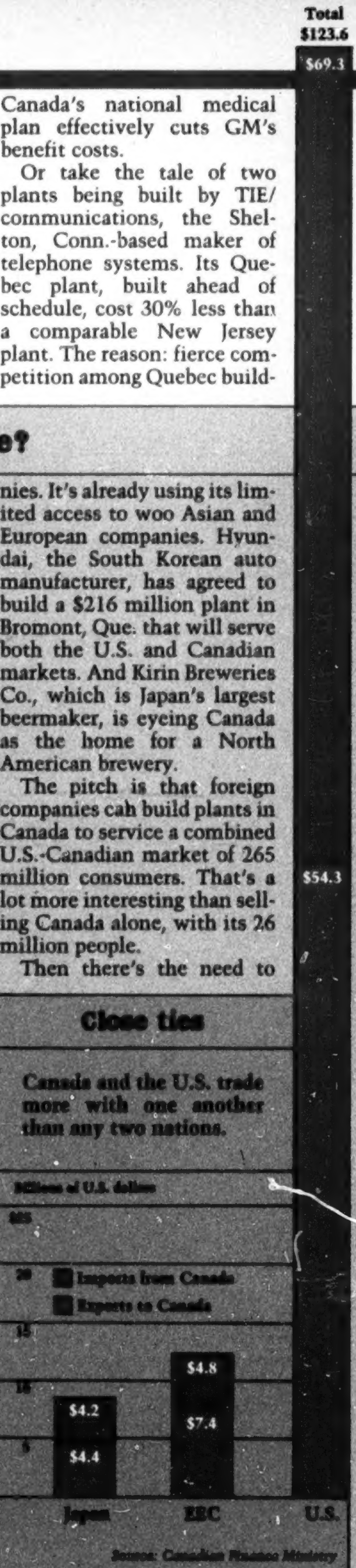
Then there's the need to restructure Canadian industry, eliminating companies that have grown fat behind the armor of protective tariffs. Expected losers in the shakeout will turn up in Canada's clothing, textile, shoe and furniture industries. The winners generally will be oil, chemicals and other natural resource companies.

Free trade elicits predictable howls of protest from Ontario and Quebec provinces, which have the largest number of protected industries. But that protection comes at a price: One study estimates consumers in British Columbia alone pay an extra $301 million a year for goods and services because of protective tariffs that mainly benefit Ontario and Quebec.

Negotiations with the U.S. are likely to begin this month, despite opposition from suspicious provincial premiers, labor unions and U.S. lumber companies already bludgeoned by inexpensive Canadian imports. Government officials on both sides of the border say an accord could be reached by 1988, though it probably will omit some products and be phased in over a ten-year period.

U.S. companies are watching Canada intently. AT&T and Rockwell International, for instance, are salivating at the thought of Canada's $2 billion telecommunications market, which is now highly protected.

As for Brian Mulroney, Canada's prime minister, he has little choice but to negotiate. John Crispo, professor of political economics at the University of Toronto, puts it this way: "We can't sustain any of our recent economic gains without a trade deal with the U.S. We desperately need that market."—E.A.F.



Close ties

Canada and the U.S. trade more with one another than any two nations.

Source: Canadian Finance Ministry

René revisited

René Lévesque, once dubbed the Fidel Castro of the North, terrified Canada's business community when he was elected premier of Quebec province in 1976. He made French the official language and tried to get the province to secede from Canada. Such nationalistic initiatives prompted about 100 companies—including giants like the Bank of Montreal and Sun Life Assurance—to move operations from Quebec to more hospitable provinces.

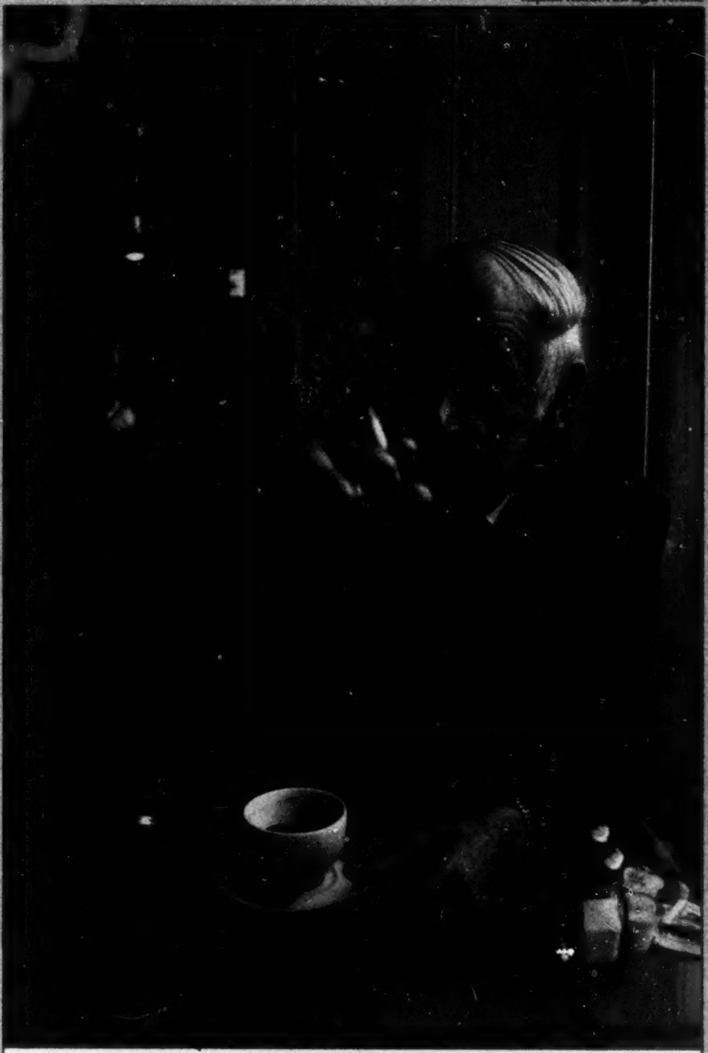
Sipping mineral water in a smoky Montreal cafe, René Lévesque doesn't sound much like a radical these days. Free trade with the U.S. is vital to Canada's prosperity, he says; government fat must be trimmed.

Lévesque didn't so much move to the right as get pushed. He was forced out of office in 1985 largely because a recession had driven unemployment up to 13.9% in Quebec during his tenure. Now he speaks proudly of Quebec's emerging entrepreneurial spirit: New listings on the Montreal Exchange jumped 37% last year, and francophones now control around 40% of economic activity, up from 15% in the 1960s.

Lévesque, 63, insists that the issue of separatism will resurface in Quebec one day, but without its previous antibusiness and isolationist overtones. "Maybe it will be led by the business class," he says of the future movement. "An independent Quebec made up of a new generation of go-getters, of marketing connoisseurs roaming throughout the world, needs a Quebec completely opened up."

Like most of his fellow Canadians, Lévesque seems to have warmed to capitalism. For his memoirs, now nearly complete, he has accepted French and English advances of $144,000, which are among the largest in Canadian publishing history.—**R.C.M.**

Stephen Homer/First Light-Toronto



Former Quebec Premier René Lévesque in his favorite cafe
A radical separatist warms up to capitalism.

growth, at best, for the western provinces, which depend heavily on natural resource industries. Media investments represent a real booby trap. The new government is forcing Gulf & Western to sell some of its Canadian publishing operations to Canadians. Although Mulroney wants Canada to open up to foreign capital, Canadians are extremely sensitive to Yankee penetration of Canadian culture.

Opportunities exist in Canada's oil sector, but government officials concede they don't want overall foreign ownership in the oil industry to creep much above the current 53%. Also, investors should remember that oil has been the first to feel the backlash of Canadian nationalism during past boom periods.

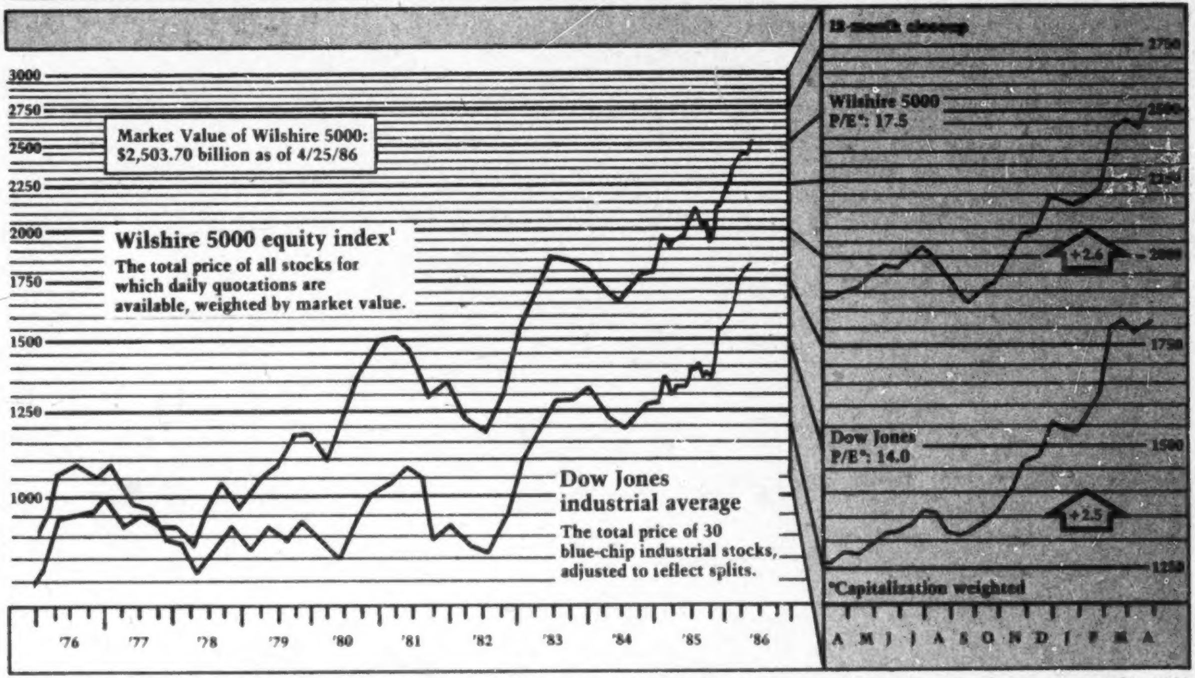
Political analysts predict Mulroney will be reelected to another five-year term before 1989, albeit with a reduced majority. But even if he is turned out of office, the winner is likely to be a fiscal conservative like Liberal leader John Turner. He's a former senior official of the International Monetary Fund, and he advocates halving Canada's budget deficit within seven years.

To understand how Canada has changed, listen to Anita Crosby, a 26-year-old Liberal saleswoman from Halifax. She grew so tired of spendthrift programs that she voted for Mulroney in 1984, and she sees no change ahead: "Government spending has to be cut. That's general policy for whoever is in power."

Says the University of Toronto's Professor Morton, "When times get tough, we get terribly pro-American and cost-conscious. When times get better, we get a little more uppity with the U.S." Chances are good that Canada won't be getting uppity again for some years to come. ■

The Forbes/Wilshire 5000 Review

Edited by Steve Kichen



Return of the small stocks. While blue chips have done spectacularly well over the past year, over-the-counter stocks are only beginning to catch up. Thanks to a 3.5% gain in the last two weeks, the Nasdaq index has now inched 19% above the high it set almost three years ago. The two-week gain for o-t-c issues was well ahead of the 2.6% gain for the Wilshire index of 5,600 issues.

A 38% increase for Nasdaq issues over the last 52 weeks puts them ahead of the Big Board and Amex indexes but behind the 30 Dow industrials, which are up nearly 44%.

During the last four weeks riskier stocks did best. For example, high-volatility issues rose 6.7%, vs. a 2.6% rise for low-volatility stocks. And shares of the smallest 500 Wilshire companies in market capitalization gained 5.6%, vs. a 1.0% gain for the largest 500.

Investors who think small stocks are due a lot more attention now are buying small-company growth funds as a proxy for the Nasdaq. *(See story p. 121.)*

Closeup On The Equity Markets

Performance of six leading indexes

Percent change	Wilshire 5000	Forbes 500[2]	Dow Jones industrials	NYSE Composite	Amex Market Value Index	NASDAQ Composite
in last 4 weeks	1.9	–0.7	0.8	1.3	1.3	5.1
in last 52 weeks	33.2	31.8	43.9	32.2	18.9	38.1

Stock performance based on six key investor yardsticks

Percent change	Company size		Volatility[3]		P/E multiple		Dividend yield		Growth profile[4]		Share price	
	large	small	high	low	over 25	under 5	over 7.5%	none	high	low	over $40	under $4
in last 4 weeks	1.0	5.6	6.7	2.6	4.0	1.9	1.0	4.9	6.2	1.6	2.9	3.6
in last 52 weeks	35.6	43.2	69.9	35.4	31.7	45.7	28.4	49.3	58.7	40.5	47.7	27.4

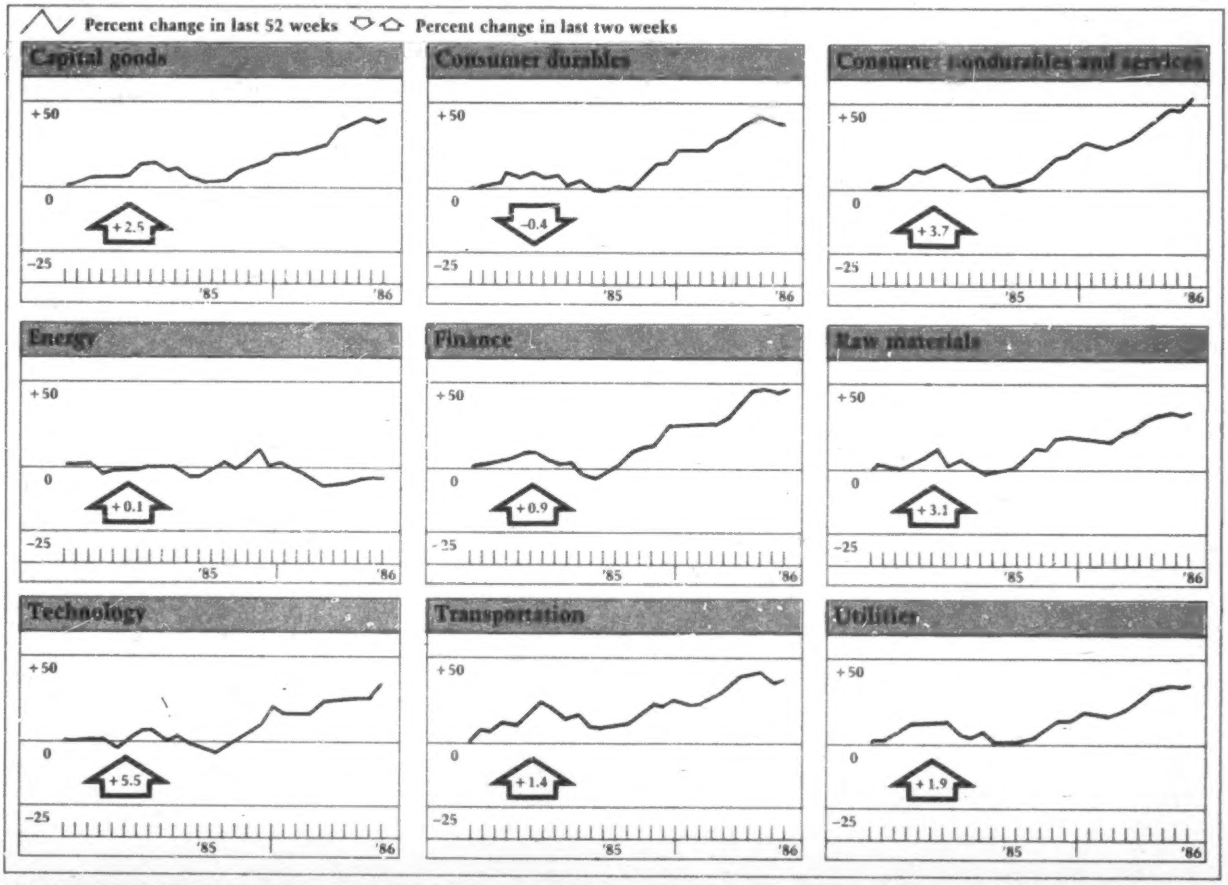
[1] Wilshire index reflects price performance. It differs slightly from market value of outstanding stocks because of retirements of equity since index was created.
[2] Based on sales.
[3] A stock's sensitivity to overall market movement. High-volatility issues have wide price fluctuations, low-volatility issues are more stable.
[4] A quantitative evaluation of a stock's growth image, determined by Wilshire Associates.

Note: All data for periods ending 4/25/86. Prepared by Wilshire Associates, Santa Monica, Calif.

Where The Action Is

Silicon and genes. Technology stocks beat the eight remaining Wilshire sectors with a 5.5% gain over the recent two-week period. The best-performing large-capitalization stock was Tandem Computers, which reported 81% higher quarterly earnings and rose 29.2%. Next was Cetus, a biotechnology issue that gained 27.7%. Sharp gains were also registered by Apple Computer, Texas Instruments and Microsoft. Microsoft, the leading provider of operating system software for IBM and IBM-compatible microcomputers, went public in March.

Declining sales of U.S.-built autos drove consumer durables to a 0.4% loss. The four worst stocks in this sector were American Motors, Ford of Canada, Chrysler and B.F. Goodrich.



What The Analysts Think

Energy isn't the only sector with problems. Analysts continue to make sharp cuts in their 1986 earnings forecasts for the energy group. But transportation stocks also came under the knife in the last two weeks as analysts slashed their 1986 forecasts by 4.3%. Main reason: Vacationers are being scared off by terrorism.

Forecasting the Forbes 500

Performance period	Average earnings per share	P/E
latest 12 months	$2.97	16.3
1986 estimates	3.91	12.4
1987 estimates	4.52	10.8

Rank based on change in estimates	Sector	Estimated 1986 EPS	Estimated 1986 P/E	% change in 1986 estimate in 2 weeks	% change in 1986 estimate in 4 weeks
1	Consumer nondurables	$2.40	16.3	1.47%	1.69%
2	Finance	3.79	11.1	0.29	0.45
3	Consumer durables	4.34	9.9	0.19	–0.22
4	Utilities	3.45	9.6	–0.30	–0.41
5	Capital goods	2.72	15.2	–0.81	–1.45
6	Raw materials	2.14	15.3	–1.03	–1.24
7	Technology	2.76	15.2	–1.30	–1.64
8	Transportation	2.37	12.9	–4.32	–5.32
9	Energy	2.63	10.9	–7.24	–9.09

Earnings projections are capitalization-weighted consensus estimates from over 2,000 security analysts. Data are compiled and updated continuously by the Institutional Brokers Estimate System (IBES), a service of Lynch, Jones & Ryan, a New York-based brokerage firm.

Note: All data for periods ending 4/25/86. Prepared by Wilshire Associates, Santa Monica, Calif.; IBES, a service of Lynch, Jones & Ryan, New York.

The Forbes/TUCS Institutional Portfolio Report

Edited by Steve Kichen

PROFESSIONAL INVESTORS tend to beat rising markets and fall behind falling markets. The first quarter of 1986 is a case in point. The stock market was up 14.4%, but the pros gained 15.6%.

These results come from the Trust Universe Comparison Service maintained by Santa Monica, Calif.-based Wilshire Associates. The 15.6% for the professional investors is the median performance of equity investments of the pension funds tracked by TUCS, which collects data on approximately one-fourth of the estimated $1.4 trillion in pension assets. The market's 14.4% is the return, including reinvested dividends, of the 5,600 stocks in the Wilshire 5000 index.

Dale Stevens, a Wilshire vice president, sees reason for concern: "With almost a 40% gain over the last year, one has to wonder when pension managers are going to start locking up their profits and reducing their risk." Of course, it would be difficult for the institutions, as a group, to act on such concerns. They would be buying from and selling to one another—since individual U.S. investors are heavy net sellers of stocks, and foreigners are adding only $3 billion a year to their U.S. stock holdings.

The box at right, "Segment performance and cash flows," shows that stocks were the best investment for both the last quarter and the last 12 months. The "Shift in institutional holdings" shows where the pros are moving their money. Figures here are after adjustment to back out the effect of changing security prices; that is, a portfolio that went from $10 million to $11 million when all the stocks in it doubled would have experienced a withdrawal of funds. Except in their bond portfolios, the institutions continued withdrawing more than they contributed.

The average institutional equity porfolio is now selling at 2.62 times book value. As recently as last June, the portfolio was only 2.09 times book. TUCS data show that stocks with price/book ratios of 2.50 or greater fared better than their cheaper counterparts over the recent quarter. The popularity of high-priced stocks helps explain why growth managers did well (see "How different managers performed").

Bond managers had less to cheer about. Their median portfolio returned 7.3% for the quarter and 27.6% for the last four quarters. The Shearson Lehman Goverment/Corporate Bond Index, a proxy for the U.S. taxable bond market, was up 8.5% for the quarter, 28.9% for the year.

How different managers performed

Manager style	Total return recent quarter	12 months	24 months
Diversified	13.9%	37.2%	20.7%
Growth	16.1	39.8	16.8
Growth—emerging	14.4	35.7	18.1
Market timer	14.1	33.2	15.7
Sector rotator	15.8	37.6	18.6
Value	33.6	35.8	22.0

Where the institutions put their money

Segment	—Portfolio weighting— most recent quarter	previous quarter
Equity	56.3%	56.6%
Fixed income	31.4	29.8
Cash and equivalents	8.8	9.9
Convertibles	0.9	0.9
Other[1]	2.6	2.8

Equity portfolio characteristics

	Institutional portfolios	Wilshire 5000
Price/earnings ratio	16.2	15.9
Dividend yield	2.9%	3.1%
Beta[2]	1.05	1.08
Price/sales	1.08	1.04
Price/book	2.62	2.47

Segment performance and cash flows

	—Most recent quarter—		—Latest 12 months—	
Segment	median total return	shift in institutional holdings	median total return	shift in institutional holdings
Equity	15.6%	–6.5%	39.2%	–10.8%
Fixed income	7.3	0.7	27.6	0.2
Cash equiv	1.9	–10.2	8.2	–11.4
Convertibles	12.0	–8.9	30.8	–15.1
Other[1]	2.4	–3.1	11.8	–7.3
Total	12.2	–2.6	33.7	–10.3

Position changes: These securities had the greatest relative change in holdings over the last quarter

Security	Increase in holdings	Total quarter return	Security	Decrease in holdings	Total quarter return
Philip Morris	5.0%	34.4%	IBM	–7.8%	–1.9%
Amoco Oil	3.6	–3.9	Atlantic Richfield	–2.3	–17.2
Chevron	3.2	–2.6	Exxon	–2.2	3.0
General Re	2.1	21.3	General Electric	–2.0	8.7
Ford Motor	1.8	42.8	Schlumberger	–1.8	–12.2
American Express	1.6	30.4	AT&T	–1.7	–10.3
Chrysler	1.6	45.3	Bell Atlantic	–1.5	18.4
USG	1.3	44.7	Texaco	–1.1	2.7
Digital Equip	1.2	19.1	RCA	–1.1	6.7
US Steel	1.2	–15.3	Union Carbide	–1.1	59.4

[1] Real estate, foreign investments, venture capital, guaranteed insurance contracts.

[2] A measure of risk. A stock with a beta of 1.00 tends to move up or down at the same rate as the S&P's 500.

Note: Data for quarter ending 3/31/86. Prepared by the Trust Universe Comparison Service (TUCS®), a service of Wilshire Associates, Santa Monica, Calif.

[redacted]

Where the institutions are—and aren't

Most overweighted relative to Wilshire 5000			Most underweighted relative to Wilshire 5000		
	% of			% of	
Security	institutional universe	Wilshire 5000	Security	institutional universe	Wilshire 5000
Digital Equipment	0.9%	0.4%	Exxon	0.5%	2.3%
American Express	1.0	0.5	IBM	2.9	4.4
General Re	0.6	0.2	AT&T	0.3	1.3
Chrysler	0.6	0.2	Amoco	0.4	1.0
Phibro-Salomon	0.6	0.3	Shell Transport & Trading	0.1	0.6
Ford Motor	0.7	0.5	Royal Dutch Petroleum	0.4	1.0
Syntex	0.3	0.1	General Electric	1.1	1.5
Citicorp	0.5	0.3	BellSouth	0.3	0.7
McDonald's	0.5	0.3	Standard Oil	0.2	0.6
Waste Management	0.4	0.2	Allied-Signal	0.0*	0.4

Trading places. Energy stocks dropped from 12.5% of the average institutional portfolio to 10.2%. Some of that shift was involuntary: Oil stocks lagged the market. But the institutions were doing some selling, too. The net result was a declining share of their portfolios invested in Arco, Schlumberger and Texaco. But Amoco Oil, Chevron and U.S. Steel, which owns Marathon Oil, were among stocks showing the greatest increase in institutional holdings in the last quarter. Besides looking for short-term trading opportunities, the institutions apparently placed their bets on oil companies with healthier finances.

In the last quarter technology stocks fell from 15.1% of the institutional equity portfolio to 14.9%. A major portion of this drop stems from a 7.8% decrease in IBM in pension portfolios. Meanwhile, holdings of raw materials rose from 10.6% to 12.4%.

Sector activity and top holdings

% of institutional portfolio: ■ most recent quarter ▨ previous quarter

Capital goods	4.9% 4.0%	Consumer durables	4.9% 4.5%	Consumer nondurables	28.2% 29.2%
	total return		total return		total return
General Electric	8.7%	General Motors	24.6%	McDonald's	19.5%
Caterpillar Tractor	25.7	Ford Motor	42.8	Sears, Roebuck	28.2
Westinghouse Electric	24.1	Chrysler	45.3	Coca-Cola	25.5
Emerson Electric	13.7	Goodyear Tire & Rubber	14.5	Wal-Mart Stores	23.7
Deere & Co	21.8	RCA	6.7	SmithKline Beckman	21.5
Energy	**10.2% 12.5%**	**Finance**	**12.9% 12.2%**	**Raw materials**	**12.4% 10.6%**
	total return		total return		total return
Exxon	3.0%	American Express	30.4%	Allied-Signal	11.0%
Royal Dutch Petroleum	0.8	General Re	21.3	EI du Pont de Nemours	14.0
Atlantic Richfield	−17.2	Phibro-Salomon	29.1	Waste Management	32.8
Mobil	−4.8	American Intl Group	27.5	Dow Chemical	28.7
Schlumberger	−12.2	Citicorp	27.6	US Steel	−15.3
Technology	**14.9% 15.1%**	**Transportation**	**3.9% 3.2%**	**Utilities**	**7.7% 8.7%**
	total return		total return		total return
IBM	−1.9%	Burlington Northern	10.7%	GTE	18.4%
Digital Equipment	19.1	Norfolk Southern	22.2	Pacific Telesis Group	11.7
Boeing	9.8	AMR	38.4	Nynex	22.7
Hewlett-Packard	19.9	CSX	23.3	Southwestern Bell	10.6
Minnesota Mng & Mfg	18.4	Union Pacific	2.5	US West	14.7

*Exact figure is 0.01%.

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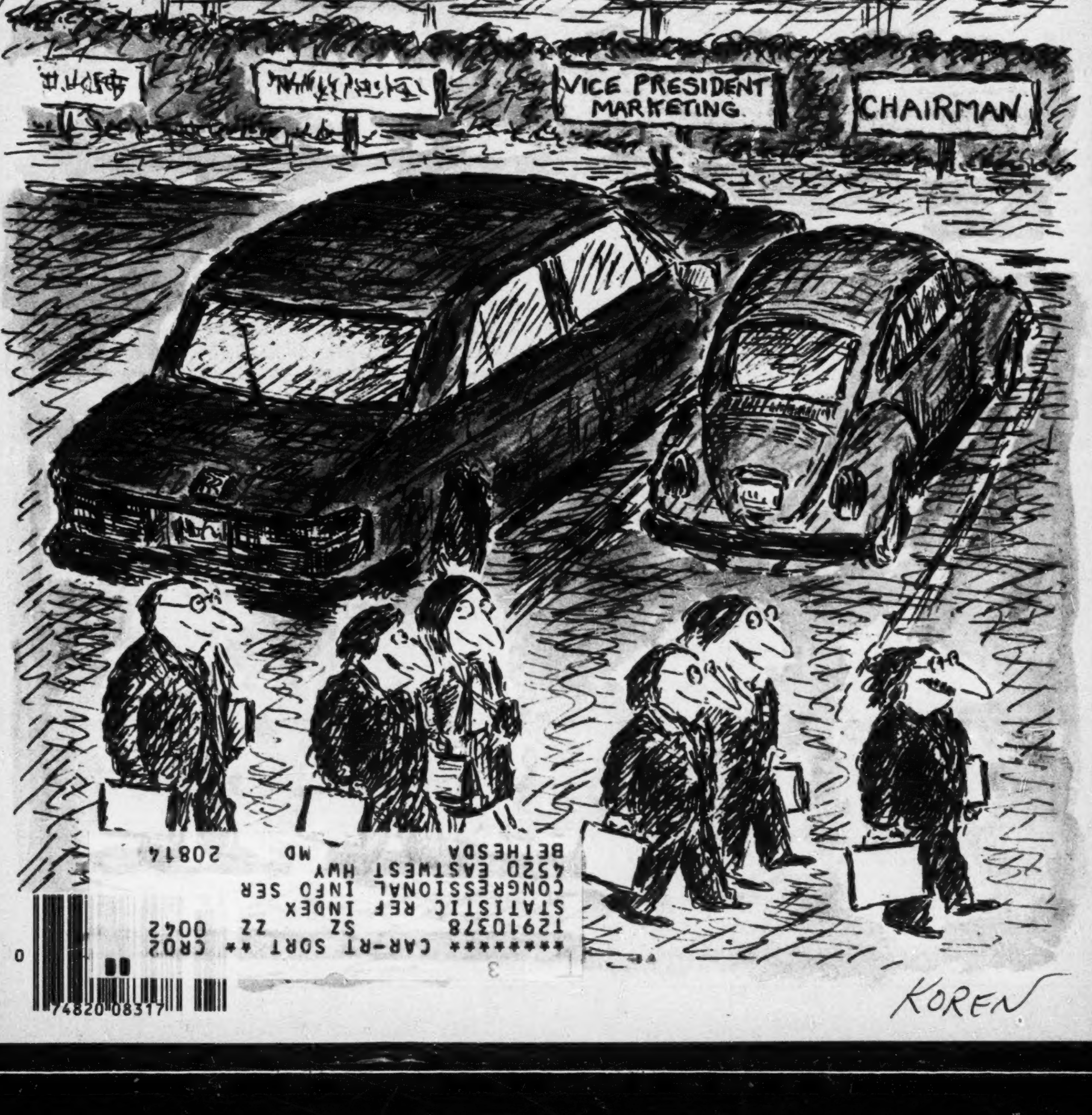
SPECIAL REPORT

BEST-PAID CHIEF EXECUTIVES, REALLY!

EXECUTIVE COMPENSATION

WHY THE BOSS DOESN'T ALWAYS GET TOP DOLLAR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Forbes

JUNE 2, 1986
VOLUME 137
NUMBER 12

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June 2, 1986 Volume 137 Number 12 Forbes (ISSN 0015 6914) is published biweekly except weekly during two weeks in April, two weeks in September and two weeks in October, by Forbes Inc., 60 Fifth Ave., New York, N.Y. 10011. Second-class postage paid at New York, N.Y. and at additional mailing offices. Subscription $42 a year, U.S.A. Postmaster: Send address changes to Forbes, 60 Fifth Ave., New York, N.Y. 10011. Copyright © 1986 Forbes Inc. Title is protected through a trademark registration in the U.S. Patent Office.

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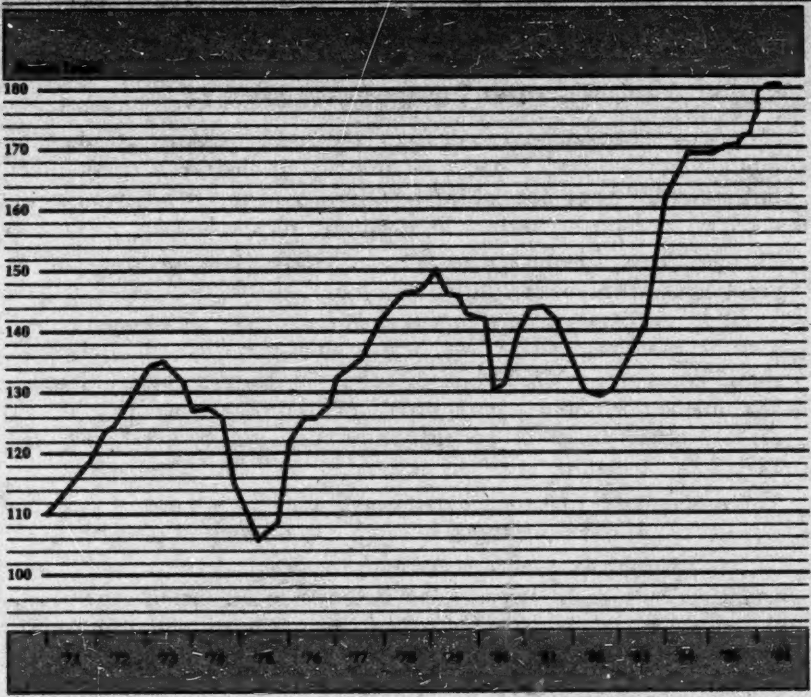
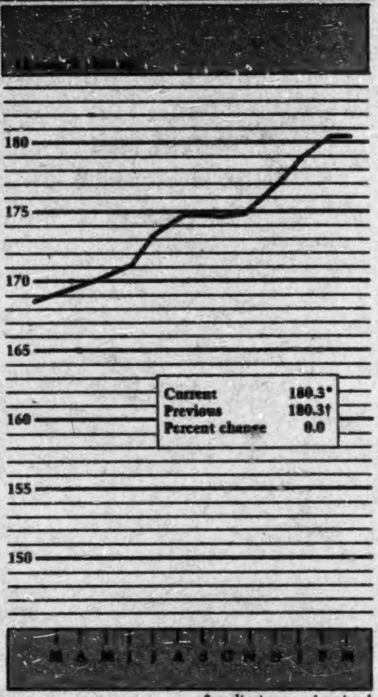
The Forbes Index





Current	180.3*
Previous	180.3†
Percent change	0.0

*preliminary †revised

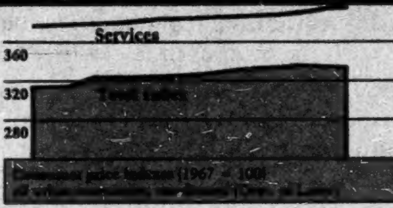
Gridlock. The Forbes Index remains unchanged, at 80% above its 1967 base year. It was the first time since February of last year that the Index failed to post a month-to-month gain. During March manufacturers' new orders for durable goods dropped 2.1%, while inventories increased 0.3%. Primary reason: low automobile sales and a depressed oil industry.

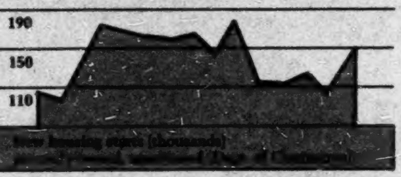
Relief for manufacturing may not come until the second half of the year, when the benefits of a lower dollar, cheaper fuel costs and lower interest rates should be fully felt. With the dollar's continued plunge, however, the central bank is not likely to lower interest rates further. More rate cuts could eventually aggravate the inflationary pressure of a declining dollar.

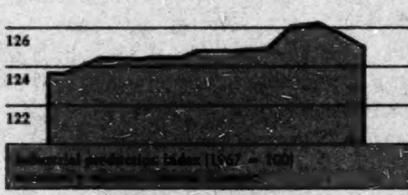
The Forbes Index Components

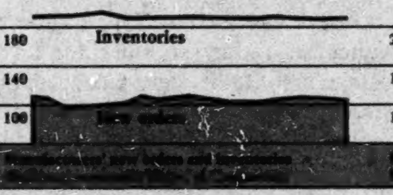
The Forbes Index is a measure of U.S. economic activity composed of eight equally weighted elements: Total industrial production, new claims for unemployment compensation, the cost of services relative to all consumer prices, the level of new orders for durable goods compared with manufacturers' inventories, total retail sales, new housing starts, personal income, total consumer installment credit.

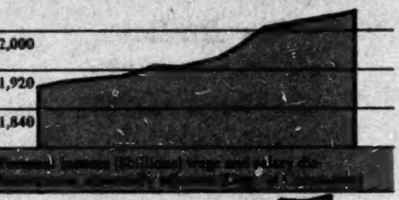
To measure these eight elements, FORBES monitors ten series of U.S. government data. The last 14 months' data for each series are presented at right.

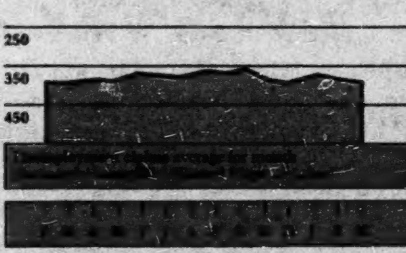


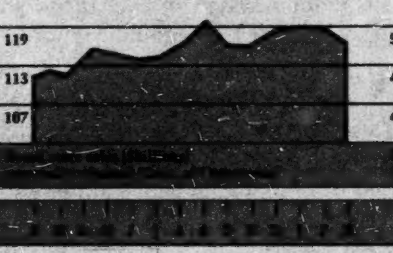


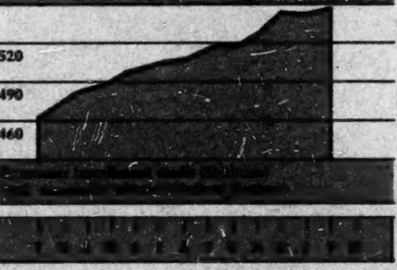












Have you heard the persistent whispering that the Palestine Liberation Organization secretly controls a $5 billion investment empire and is growing richer all the time? Forget it.

Terror's bottom line

By Hesh Kestin

The Palestine Liberation Organization is going broke. Saddled with surprisingly extensive health care and education programs, diplomatic missions and widows' and orphans' benefits, plus the military budget, Yasir Arafat presides over a political enterprise with a voracious, nine-figure appetite for cash. Unfortunately for the PLO chief, his ability to feed that appetite diminishes with each month.

Forbes interviewed dozens of diplomatic, intelligence and investment sources in the Middle East, the U.S. and Europe to assemble a reliable balance sheet for the Palestine Liberation Organization. It shows that, while the PLO's income from investments and contributions last year totaled about $154 million, its expenses came to at least $310 million. And since its costs of doing business are increasing, that deficit is growing inexorably. Which means that Arafat's tattered umbrella organization, which for now holds together eight disparate terror groups, could well collapse.

For U.S. interests in the Middle East, this is almost certainly not good news, since Washington sees the PLO as a moderating influence among Arab terrorist factions. Little-known fact: When the Israelis finally forced Arafat to abandon his Lebanon headquarters, the U.S. secretly paid $4 million to $5 million to evacuate up to 12,000 defeated PLO fighters from Beirut harbor in 1982. Washington kept it secret by having the U.K. government charter ships of the Cyprus-based Sol Lines and then repaying the British. To further tangle this tale, the Saudis now say they later reimbursed the U.S. Murky doings, but the thinking was clear: No matter what the world thinks of the PLO, it's the only bargaining agency the Palestinians have. Without it, as each PLO subgroup vies for leadership, we'll see more terrorism, not less.

Arafat's following hardly lends itself to orderly direction. PLO fighting forces, 12,000 to 14,000 strong, and about 4.6 million Palestinian civilians are scattered throughout 18 Mideast and North African countries. Of these, nearly half live in Israel, the Gaza Strip or on the west bank of the Jordan River.

The PLO is clearly in financial trouble and has begun playing the sort of slow-pay, no-pay games typical of the cash-starved. In Cyprus, for example, a diplomatic and operational key spot, where the PLO has always paid its bills, the local office recently had to have its arm twisted to pay for damages caused by a bomb in a house it rented, and a travel agency is suing for nonpayment of air tickets. Both claims total less than $15,000.

Here's the expanding expense side of the PLO balance sheet:

- Diplomatic and propaganda offices in some 100 countries cost about $50 million a year. Arafat has called for a 25% cut. No chance. The PLO's U.N. observer office, for example, now in its own five-story brick town house worth up to $3 million on Manhattan's posh Upper East Side, won't be moved to a scruffier neighborhood. Loss of this front of respectability would erode PLO stature.
- In 7 hospitals (in Egypt, Lebanon and Syria) and 20 clinics, the PLO offers Palestinians free medical services through the Palestine Red Crescent. Annual cost is $20 million. Arafat can't cut his Red Crescent without losing grassroots support—besides, his brother runs it.
- Sons of the Fallen is a PLO arm providing widows and heirs of Palestinian "martyrs" with pensions and free education. This costs $40 million and, as one PLO official ruefully admitted, every year there are more martyrs and higher costs. Cutbacks could further rip the PLO apart.
- To keep its place in the hearts and minds of Arabs living in areas controlled by Israel since 1967, the PLO normally spends about $90 million a year. That supports highly politicized

Alan Reingold

colleges, where some 15,000 Palestinians study (6,000 more are studying abroad, mostly in the Eastern bloc), subsidizes newspapers and pays for legal defense of captured terrorists.

An Arab convicted of terrorism routinely has his house torn down by Israeli authorities. Just as routinely, the PLO provides money to rebuild. It also lends money for housing, farming and small businesses. Now, though, it has cut these payments and subsidies to one-third their normal level. But there's a limit to parsimony. King Hussein of Jordan vies for power by moving money into the West Bank as well. He pays salaries, for example, to ex-civil servants in the area he controlled from 1948 to 1967. Without losing influence, the PLO can't cut back indefinitely.

- And all this is aside from the expense of providing for up to 14,000 fighting men: salaries, uniforms, shelter, transport, food, medicine, intelligence, communications, training, propaganda and dependent families. Apart from the cost of weapons, which the Russians are probably subsidizing, the tab is not less than $100 million. And this doesn't include another $10 million to support some 400 bureaucrats sitting in Tunis and supposedly running the show. Cutting back on their offices, villas, cars and perks could set off a palace revolt. And trimming among the field troops might provoke a replay of 1983, when 4,000 PLO fighters opted for Syrian support and turned their guns on Arafat's mainstream forces. In addition, as more PLO forces return, Lebanon is going to take more money in the coming years, not less.

- The PLO also has an odd assortment of miscellaneous expenses in Third World countries, what it calls "friendship" projects. For instance, it operates at least four large and unprofitable model farms in Africa, and most recently had to dump $30 million into a new $100 million cement plant in South Yemen. Why? South Yemen was one of the few countries to take PLO troops after the Beirut evacuation. "A very marginal deal," said a banker close to it. "Rent."

So the PLO has few, if any, places to cut expenses. And the income side is even grimmer. Its finances suffered a severe blow when the PLO was driven out of Lebanon. Through its control of the ports, the PLO was able to import its own goods duty-free while charging "customs" for everyone else's. Sweetheart agreements with Eastern bloc countries brought cement and steel in at below-market prices, allowing PLO dominance of the Lebanese construction industry. (From a single captured Beirut warehouse, Israel carted away steel valued at $30 million.) At the height of its power, PLO factories profitably employed over 6,500 people making everything from army boots to films. The take from such traditional Lebanese cottage industries as smuggling and drugrunning went, too.

The PLO's constituent terror groups have their own money—terror is, unfortunately, a cheap and cost-effective way of making your voice heard. But as one intelligence officer put it, "There's enough cash for terrorism but too little for a government-in-exile." Basically, the umbrella organization has only three sources of income, all unstable or drying up:

- At the 1978 Baghdad summit to promote Arab solidarity in the face of Israeli-Egyptian peace, seven countries pledged a total of $3 billion over ten years. Some countries reneged entirely, others just partly. Now only Saudi Arabia pays—a total of $29 million last year, far short of its $87 million commitment.

What happened to Arab solidarity? Declining oil revenues is the common excuse. But to Kuwait, for example, whose budget last year was $9.4 billion, an annual donation of $47 million is peanuts. The real explanation is the PLO's own political and military decline: Arab nations are less afraid of the organization than they were. Kuwait is simply paying a far smaller sum as bomb insurance to the PLO's subgroups. Libya has its own band of terrorists and refuses to pay at all.

- Taxation, voluntary or otherwise, is another source of funds. In theory, the PLO taps the pockets of 2.7 million Palestinians outside of Israeli control (Jerusalem taxes the 2 million within) through Arab governments, which tax resident Palestinians on the PLO's behalf. But only Kuwait, a sixth of whose population is Palestinian, regularly forks over—last year's take was $10.5 million. Other countries simply pocket the tax.

Wherever they are, Palestinians give out of sentiment or to cover themselves from the wrath of emissaries putting on the bite. But high estimates put revenues at less than $25 million a year from both taxes and contributions—not a lot, not about to grow.

The PLO's ominous balance sheet

Its growing expenses and shrinking income are a grim and virtually certain indicator that terrorism will only get worse.

Income (millions)	
Return on $1 billion in investments (mainly U.S. and Western European securities)	$100.0
Saudi Arabian support	29.0
Voluntary contributions	14.5
Taxes collected from Palestinians in Kuwait	10.5
Total	154.0

Expenses (millions)	
Military operations	$100
Subsidies: housing, legal defense, publications, businesses and colleges in Israeli-administered territories	90
Representative offices worldwide	50
Survivors' benefits (Sons of the Fallen)	40
Health services (Palestine Red Crescent)	20
Administrative headquarters in Tunis	10
Total	310

Note: All figures are for 1985

- This leaves investments, and don't believe what you read in some newspapers about a $5 billion portfolio on which the PLO rakes in a cool $1 billion a year. According to sources close enough to smell the ink, the PLO has no more than $1 billion out making $100 million, most of it in U.S. and Western European paper, plus U.S. blue-chip stocks. A conservative and highly liquid portfolio. The PLO, pushed from one country to another, is understandably property-averse. And it fears that other nations may seize what property it still has.

Some PLO money is managed by the $13.5 billion (assets) Arab Bank Ltd. Group of Jordan, which handles the PLO's working accounts. It is almost certainly part-owned by the PLO. A close friend of Arafat's sits on the board, and the bank has backed Palestinian nationalism for 56 years. Aside from 97 offices (2 in New York) in 23 countries, 2 secret branches exist in Nablus and Jerusalem, areas supposedly abandoned by the Arab Bank after the Six Day War. The Jerusalem office is in a travel agency where loans are processed; its cashiers are the Arab money changers down the street.

When your uncuttable expenditures reach $310 million and your income is half of that, you need more bread. Where can Arafat turn? The Soviets? They support the Syrians, Arafat's enemy. The only alternative for the PLO is not East but West.

But who wants Arafat? First, his résumé could be written in blood. Second, only in February he walked out of a promising agreement with Jordan to sit down and negotiate with Israel. King Hussein, joined by a former PLO intelligence chief, has all but called for Arafat's replacement by a moderate willing to jaw with the Jews.

Not our business? If the PLO falls apart, the ensuing terror is going to make M. Qaddafi look like W. Disney. Abu Abbas, architect of the *Achille Lauro* incident, has already threatened to bring terrorism to America.

But if the U.S. really means to keep the PLO from falling apart, it will probably have to do at least three things: (1) Pressure the Saudis and Kuwaitis to back a more moderate PLO leader and withdraw their support from Arafat. (2) Provide discreet U.S. aid through Palestinian moderates to help the PLO keep itself intact. In a cash-starved firm, he who brings the banker has power. (3) Declare covert war on PLO radicals who keep knocking off the moderates.

It may not work. The economic dimension may not be strong enough to alter the political. But acting now to stabilize the PLO might be a better investment than paying ransom later to freelance assassins that haunt the Middle East. Consider what happened in Beirut: Seventeen months after paying to get Arafat & Co. out, the U.S. had to evacuate 1,200 U.S. Marines. So Washington made still secret cash payoffs to Lebanese militias to guarantee the Marines' safety as they withdrew.

Now, as the PLO faces near bankruptcy, may in fact be the last, best opportunity to influence it. After all, no firm is as amenable to constructive change—or as dangerously prone to destructive fragmentation—as one that is going broke. ■

Running a large corporation carries lots of rewards. Megamoney is sometimes, but not always, one of them.

How much the bosses earned in 1985

By William G. Flanagan

SOME TOP CORPORATE executives dread this issue of FORBES. Would you like your annual compensation shouted to the world?

But others, aware that in a capitalist society money is an important report card, delight in scoring high in the annual compensation competition. Former Norton Simon chief David J. Mahoney, no stranger to the upper rungs of the hit parade, once explained why: "If the company doesn't get it, the stockholders don't get it, I don't get it."

Certainly there is less hysteria than there used to be about the sums pocketed by the men who run America's largest corporations. (The Washington Post's Katharine Graham, Liz Claiborne's Elisabeth Ortenberg and Golden West Financial's Marion O. Sandler are the only women among the 793 listed.) If you compare their earnings with the sums paid jocks, entertainers and TV personalities and some negligence lawyers *(see box, p. 148)*, most chief executives would score in the middle ranks at best. Median compensation—including salary and stock gains—was $620,000. You can't accumulate the capital it takes to be truly rich on the aftertax savings from that.

But others made more than 17 times that, measuring their annual take in eight digits, and some of them seem decidedly defensive about it. Their fear is that stockholders, who, after all, own the companies, may judge that they aren't getting their fair share of the corporate kitty. The need to make those judgments, of course, is why the Securities & Exchange Commission requires the five highest-paid officers in a public company to make their compensation known in the first place.

Exactly how responsible top corporate executives are for their companies' revenues and profits remains a matter of intense debate. There are the Lee Iacoccas and Fred Smiths and the An Wangs and Sam Waltons and Charles Lazaruses who either founded or resurrected from oblivion Chrysler, Federal Express, Wang Labs, Wal-Mart and Toys "R" Us. They *are* their companies; it's reasonable to suppose that someone else in their place, even at $1 a year, would punish earnings more than those companies would save in annual compensation. There's also the share value of the stock. Under Iacocca, for example, Chrysler was once selling as low as $3 per share; it's now around $37. And Iacocca's total compensation in 1985 (most of it in stock gains) amounts to only about 7 cents a share.

Are there objective criteria by which to judge the value of an executive's performance? Plotting compensation versus sales, for example, or profits, or stock performance?

In terms of sales, these chief executives gave stockholders the most sales bang per buck of compensation: IBM's John F. Akers earned $736,000 last year, while IBM's sales were over $50 billion; GM's Roger Smith earned $1.9 million against sales of $96 billion; Texaco's John K. McKinley made $1.24 million against sales of $46.2 billion. Testing top executives' cost against sales may be an interesting exercise, but it's hardly decisive. Companies are run for profits, not just to see how big they can become.

What about plotting compensation against profits, then? After all, the chief executive who earns the least while generating the most profits would seem to be giving shareholders the very best deal of all.

At first blush, this yardstick appears to make sense. Enter IBM's John F. Akers again, whose company reported profits of $6.55 billion, against his salary of $736,000. The second-best executive bargain, on the earnings test, was Warren Buffett, whose Berkshire Hathaway shareholders paid him only $100,000 while the company earned $436 million in profits on $940 million in sales.

But then things get a little flaky. Also ranking in the top chief executive bargains is Long Island Lighting's William J. Catacosinos, who earned only $219,000 while the utility generated $524 million in profits. But try to convince Lilco shareholders they got a good deal. The troubled utility isn't paying dividends on its common stock, is awash in lawsuits resulting from a hurricane last year and can't get permission to operate its $4.5 billion Shoreham nuclear plant. Would anyone seriously argue that Catacosinos is truly a better bargain for shareholders than Iacocca, simply because the former got a tinier share of overall corporate

The 25 best-paid chief executives in the U.S.

Rank	Chief executive/company	Total comp ($000)
1	Lee Iacocca/Chrysler	$11,499
2	T Boone Pickens/Mesa Petroleum	9,877
3	Thomas Spiegel/Columbia S&L	9,032
4	Stephen D Hassenfeld/Hasbro	4,764
5	Anthony J F O'Reilly/HJ Heinz	4,093
6	George T Scharffenberger/Home Group	3,948
7	Kenneth L Lay/Enron	3,794
8	Robert Anderson/Rockwell Intl	3,666
9	Clifton C Garvin Jr/Exxon	3,625
10	Terrence A Elkes/Viacom International	3,587
11	Steven J Ross/Warner Communications	3,524
12	David S Lewis/General Dynamics	3,376
13	John H. Gutfreund/Phibro-Salomon	3,108
14	Joseph B Flavin/Singer	2,997
15	Roy A Anderson/Lockheed	2,994
16	Charles S Locke/Morton Thiokol	2,991
17	Gilbert G Roessner/Cityfed Financial	2,980
18	Charles Lazarus/Toys "R" Us	2,928
19	Richard K Eamer/National Medical	2,899
20	Alan C Greenberg/Bear, Stearns	2,869
21	Richard M Furlaud/Squibb	2,780
22	Edward L Hennessy Jr/Allied-Signal	2,755
23	E Mandell De Windt/Eaton	2,626
24	William Jovanovich/Harcourt Brace	2,597
25	Peter T Buchanan/First Boston	2,563

profits last year than the latter?

Stock performance? That's the silliest yardstick of them all. True, the runup of, say, Chrysler does indeed indicate what the boss has been doing, but Iacocca drew his big reward last year, while Chrysler stock has been performing well for several years. And consider those poorly run companies whose shares rose only because they had been trading well below book value and became hot targets for acquisitions. The inept managers who allowed the company to founder in the first place often wind up with hefty stock gains, golden parachutes and other benefits while long-term shareholders receive only a one-time windfall that may not make up for years of poor earnings.

Absent a successful tender offer for the U.S. economy by the U.S.S.R., determining what an executive is worth will remain the province of compensation committees. After all, they have to face the lawsuits when stockholders think things are out of whack. (And sue they do. Such stockholders' lawsuits are hardly uncommon.)

Industry group codes

The numbers below correspond with the industry group codes that follow company names in the tables that begin on page 153.

1. Aerospace and defense
2. Air transport
3. Apparel and textiles
4. Automotive
5. Banks
6. Beverages and tobacco
7. Chemicals
8. Coal
9. Communications media
10. Computers and electronics
11. Construction
12. Consumer products
13. Diversified companies
14. Electrical equipment
15. Electric utilities
16. Financial services
17. Food distributors
18. Food processors
19. Health
20. Heavy equipment
21. Insurance
22. Leisure and recreation
23. Metals
24. Natural gas
25. Oil
26. Packaging
27. Paper
28. Retailing
29. Services
30. Surface transportation
31. Telecommunications

Whatever chief executives make, they seldom make it for very long, unless they are the founders. They are a lot like baseball players—with no guarantee of how long they will be at the top of their game. (The average major-league salary, by the way, was $371,000 in 1985.) And it can take quite a while before a chief executive gets to the top; most have been with their companies more than 20 years, and six out of seven are over 50 years old.

There has been something of a youth movement afoot in recent years; roughly 100 chief executives are under 50. David Blackford of Far West Financial is a mere 37; Genentech's Robert A. Swanson is 38; Fidelcor's Harold W. Pote is 39. The man with the best "age-wage" ratio is Columbia Savings & Loan's Thomas Spiegel, 40, who collected $9,032,000 in 1985. That works out to $225,800 for each year of his life.

Armand Hammer remains the nation's most senior chief executive. Hammer, who celebrated his 88th birthday last month, earned $1.15 million in 1985 for running Occidental Petroleum.

Assuming one wants to get to the top of the corporate heap, which is the best path? Finance. Of the 793 executives on the following pages, all of them running companies that made one or more of the FORBES 500s lists, 145 had backgrounds in banking and another 112 in finance.

It also helps to pick the right industry. Such as financial services, where the median compensation for chief executives was $1.6 million last year. Ten of the 15 made more than $1 million, with Phibro-Salomon's John H. Gutfreund leading the pack with $3.1 million. ■

Who Gets The Most Pay

What the numbers mean

In compiling the tables that follow, Forbes ranks the chief executives of the 793 largest companies in the U.S., as listed in The Forbes 500s issue *(Apr. 28)*. The rankings are based on total compensation. Forbes defines **salary and bonus** to include all salary and bonus payments in 1985, whether paid in cash or deferred, as well as directors' fees and commissions. **Other** includes payments made under long-term compensation plans, restricted stock awards vested or released from restrictions in 1985, thrift plan contributions and other benefits. **Stock gains** include net value realized in shares or cash from the exercise of stock options and/or stock appreciation rights granted in prior years. **Rank in industry** ranks the chief executive's total compensation relative to others in his industry group. **Industry group** codes following company names are identified in the box on page 151.

Who makes what

Rank	Company/industry	Chief executive/age	Compensation ($000) salary and bonus	other	stock gains	total	Rank in industry	Tenure (years) with firm	as CEO	Business background
60	Abbott Laboratories/19	Robert A Schoellhorn/57	1,063	29	583	1,674	6 of 30	12	7	Technical
140	Advanced Micro/10	Walter J Sanders III/49	1,190	—	—	1,190	6 of 32	17	17	Founder
367	Aetna Life & Cas/21	James T Lynn/59	601	67	—	668	18 of 38	8	1	Legal
694	Affiliated Bshs Colo/ 5	Leo Hill/62	284	20	3	307	58 of 192	22	3	Administration
236	HF Ahmanson/ 5	Richard H Deihl/57	659	231	—	890	31 of 192	36	2	Banking
227	Air Prods & Chems/ 7	Edward Donley/64	897	15	—	912	6 of 17	43	12	Technical
376	Albertson's/17	Warren E McCain/60	656	—	—	656	14 of 26	34	9	Operations
316	Alco Standard/27	Ray B Mundt/57	739	21	—	760	6 of 14	16	6	Operations
434	Alexander & Alexander/21	John A Bogardus Jr/58	565	14	—	579	22 of 38	35	7	Insurance
114	Alexander & Baldwin/30	Robert J Pfeiffer/66	849	108	370	1,327	5 of 14	26	6	Operations
154	Alleghany/23	Fred M Kirby/66	683	397	—	1,079	1 of 15	28	18	Investment
87	Allegheny Beverage/17	Morton M Lapides/57	1,550	30	—	1,580	3 of 26	26	20	Technical
385	Allegheny International/13	Robert J Buckley/62	573	71	—	644	24 of 30	14	11	Operations
761	Allegheny Power/15	Klaus Bergman/55	211	—	—	211	60 of 75	14	1	Legal
375	Allied Bancshares/ 5	Gerald H Smith/55	225	24	409	658	60 of 192	27	14	Banking
22	Allied-Signal/13	Edward L Hennessy Jr/58	1,219	117	1,419	2,755	1 of 30	7	7	Finance
184	Allied Stores/28	Thomas M Macioce/67	960	27	—	987[1]	14 of 41	26	14	Legal
461	Alltel/31	Weldon W Case/65	450	—	96	546	14 of 16	26	26	Operations
355	Alcoa/23	Charles W Parry/61	667	25	—	691	4 of 15	38	3	Operations
480	AMAX/23	[2]Pierre Gousseland/64	505	12	—	517	9 of 15	37	9	Technical
491	Amerada Hess/25	[3]Philip Kramer/65	485	24	—	509	26 of 36	17	4	Administration
142	American Brands/13	Edward W Whittemore/63	1,140	30	—	1,170	12 of 30	39	5	Marketing
33	American Can/26	[4]William S Woodside/64	1,260	5	885	2,150	1 of 6	36	6	Operations
108	American Continental/ 5	Charles H Keating Jr/63	1,375	—	—	1,375	12 of 192	10	10	Legal
212	American Cyanamid/19	George J Sella Jr/57	732	8	201	940	14 of 30	31	3	Operations
499	American Electric/15	Willis S White Jr/59	494	10	—	503	10 of 75	37	10	Technical
59	American Express/16	James D Robinson III/50	1,800	55	—	1,855	5 of 15	15	9	Finance
42	American Family/21	John B Amos/62	2,011	54	—	2,065	2 of 38	31	31	Founder
34	American Fletcher/ 5	Frank E McKinney Jr/47	377	5	1,754	2,136	3 of 192	18	13	Banking
172	American General/21	Harold S Hook/54	904	138	—	1,042	9 of 38	15	7	Insurance
739	American Greetings/ 9	Irving I Stone/77	250	—	—	250	21 of 21	62	26	Administration
101	American Home Prods/19	John W Culligan/69	1,058	363	—	1,420	8 of 30	49	5	Marketing
270	American Info Tech/31	William L Weiss/57	789	42	—	830	7 of 16	35	2	Operations
51	American Intl Group/21	Maurice R Greenberg/61	750	—	1,195	1,945	3 of 38	25	19	Insurance
487	American Medical/19	Walter L Weisman/51	513	—	—	513	27 of 30	16	1	Operations

NOTE: For explanation of industry group rankings, see page 151. [1] Figures are for year ended 1/31/85. [2] Succeeded by Allen Born, 1/6/96. [3] Succeeded by Leon Hess, 1/8/86. [4] Succeeded by Gerald Tsai Jr, 5/1/86.

Rank	Company/industry	Chief executive/age	Compensation ($000) salary and bonus	other	stock gains	total	Rank in industry	Tenure (years) with firm	as CEO	Business background
623	American Motors/ 4	[5]José J Dedeurwaerder/53	357	13	—	371	18 of 18	4	1	Operations
605	American Natl Ins/21	Orson C Clay/55	334	56	—	391	28 of 38	15	8	Administration
613	American Petrofina/25	Paul D Meek/55	370	11	—	381	32 of 36	30	3	Technical
583	Amer S&L Fla/ 5	Morris N Broad/51	341	—	71	412	119 of 192	29	21	Finance
645	American Savings/ 5	John T Morgan/56	353	—	—	353	142 of 192	13	6	Banking
427	American Security/ 5	Daniel J Callahan III/54	359	—	9	367	135 of 192	3	1	Banking
300	American Standard/11	William B Boyd/62	616	107	63	786	4 of 16	11	1	Technical
382	American Stores/28	Lennie S Skaggs/62	646	—	—	646[6]	24 of 41	41	20	Retailing
75	American Tel & Tel/31	Charles L Brown/64	1,315	380	—	1,695	1 of 16	40	7	Operations
311	AmeriTrust/ 5	Jerry V Jarrett/54	506	21	244	771	47 of 192	12	2	Banking
524	Ames Dept Stores/28	Herbert Gilman/61	472	—	—	472[7]	30 of 41	28	5	Technical
542	Amfac/13	[8]Ralph A Van Orsdel/70	450[4]	—	—	450	29 of 30	40	1	Insurance
36	Amoco/25	Richard M Morrow/60	1,113	49	963	2,125	4 of 36	38	2	Technical
203	AMP/10	Walter F Raab/62	457	499	—	956	14 of 32	33	4	Finance
128	AMR/ 2	Robert L Crandall/51	663	—	581	1,244	1 of 14	13	1	Finance
538	AmSouth Bancorp/ 5	John W Woods/54	454	—	—	454	105 of 192	16	14	Banking
638	Analog Devices/10	Ray Stata/51	358	—	—	358	28 of 32	21	21	Founder
665	Anderson, Clayton/18	W Fenton Guinee Jr/58	335	2	—	337	20 of 24	10	1	Marketing
26	Anheuser-Busch Cos/ 6	August A Busch III/49	1,206	—	1,218	2,424	1 of 9	29	11	Operations
167	Apple Computer/10	John Sculley/47	1,054	—	—	1,054	10 of 32	3	3	Marketing
288	Archer Daniels/18	Dwayne O Andreas/68	801	—	—	801	12 of 24	15	15	Finance
90	Arizona Bancwest/ 5	Donald B Tostenrud/61	450	8	1,079	1,538	8 of 192	26	8	Finance
596	Arkla/24	Thomas F McLarty III/40	392	8	—	400	19 of 23	2	1	Administration
550	Armco/23	Robert E Boni/58	414	31	—	446	11 of 15	29	1	Technical
510	Armstrong World Inds/11	Joseph L Jones/63	443	1	47	4[illegible]1	12 of 16	38	2	Operations
324	Ashland Oil/25	John R Hall/53	740	11	—	[illegible]1	20 of 36	28	4	Operations
224	Associated Dry Goods/28	Joseph H Johnson/64	696	4	223	923	19 of 41	9	2	Operations
781	Atlantic City Electric/15	E Douglas Huggard/52	170	2	—	172	71 of 75	31	1	Technical
299	Atlantic Richfield/25	Lodwrick M Cook/58	733	—	53	786	16 of 36	29	1	Operations
420	Automatic Data/29	Josh S Weston/57	390	—	203	593	7 of 7	15	3	Operations
74	Avnet /10	Anthony R Hamilton/61	806	—	895	1,701	2 of 32	29	6	Marketing
318	Avon Products/12	Hicks B Waldron/62	684	75	—	759	10 of 15	2	2	Marketing
632	AZP Group/15	Keith L Turley/63	353	9	—	362	25 of 75	34	12	Administration
225	Baker International/25	Earnest H Clark Jr/59	823	9	87	919	12 of 36	38	21	Technical
113	Bally Manufacturing/22	Robert E Mullane Jr/54	1,210	118	—	1,328	5 of 13	13	6	Administration
571	Baltimore G&E/15	Bernard C Trueschler/63	385	41	—	426	16 of 75	38	6	Technical
507	Banc One/ 5	John B McCoy/43	492	—	—	492	95 of 192	19	2	Banking
724	Banco Popular PR/ 5	Rafael Carrión Jr/71	229	43	—	272	173 of 192	53	29	Banking
689	BancOklahoma/ 5	Leonard J Eaton Jr/5[illegible]	283	28	—	311	156 of 192	14	7	Banking
565	Bancorp Hawaii/ 5	Frank J Manaut/62	350	16	63	430	114 of 192	35	5	Banking
430	Bank of Boston/ 5	William L Brown/64	538	43	—	581	73 of 192	37	3	Banking
451	Bank of New England/ 5	Walter J Connolly Jr/58	564	—	—	564	80 of 192	25	6	Banking
151	Bank of New York/ 5	John Carter Bacot/53	728	298	77	1,103	18 of 192	26	4	Finance
262	Bank of Virginia/ 5	Frederick Deane Jr/59	496	194	165	855	34 of 192	32	12	Finance
622	Bank South/ 5	Robert P Guyton/49	372	—	—	372	132 of 192	5	4	Banking

NOTE: For explanation of industry group rankings, see page 151. [4]Annualized current salary. [5]Succeeded by Joseph E Cappy, 3/21/86. [6]Figures are for year ended 1/31/85. [7]Figures are for year ended 1/31/85. [8]Succeeded by Ronald R Sloan, 5/12/86.

Who Gets The Most Pay

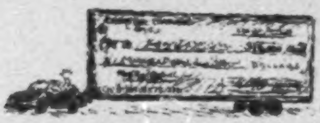
Rank	Company/industry	Chief executive/age	Compensation ($000) salary and bonus	other	stock gains	total	Rank in industry	Tenure (years) with firm	as CEO	Business background
438	BankAmerica/ 5	Samuel H Armacost/47	575	—	—	575	75 of 192	24	5	Banking
106	Bankers Trust NY/ 5	Alfred Brittain III/63	940	322	117	1,379	11 of 192	39	11	Banking
650	Banks of Mid-America/ 5	John W McLean/64	338	12	—	349	145 of 192	18	18	Banking
214	Barnett Banks Fla/ 5	Charles E Rice/50	658	12	270	940	29 of 192	20	6	Banking
178	Bausch & Lomb/19	Daniel E Gill/50	600	—	423	1,024	12 of 30	7	5	Finance
273	Baxter Travenol Labs/19	Vernon R Loucks Jr/51	794	31	—	825	17 of 30	20	6	Marketing
473	BayBanks/ 5	William M Crozier Jr/53	365	27	137	530	84 of 192	22	11	Banking
20	Bear Stearns Cos/16	Alan C Greenberg/59	2,889*	—	—	2,889	2 of 15	37	8	Investment
308	Becton Dickinson/19	Wesley J Howe/65	670	—	107	777	18 of 30	37	11	Administration
229	Bell Atlantic/31	Thomas E Bolger/58	711	198	—	909	4 of 16	43	2	Administration
287	BellSouth/31	John L Clendenin/52	745	56	—	801	8 of 16	30	2	Operations
261	Beneficial Corp/16	Finn M W Caspersen/44	838	17	—	855	11 of 15	14	9	Finance
361	Bergen Brunswig/19	Emil P Martini Jr/57	683	—	—	683	22 of 30	34	17	Technical
790	Berkshire Hathaway/13	Warren E Buffett/55	100	—	—	100	30 of 30	21	16	Investment
597	Best Products/28	Andrew M Lewis/40	400	—	—	400	34 of 41	17	2	Retailing
447	Bethlehem Steel/23	[9]Donald H Trautlein/59	542	26	—	568	8 of 15	9	6	Finance
417	Beverly Enterprises/19	Robert Van Tuyle/73	598	—	—	598	25 of 30	14	11	Administration
683	Big Three Industries/25	Harry K Smith/74	315	3	—	318	36 of 36	60	22	Administration
526	Black & Decker/12	[10]Laurence J Farley/50	471	—	—	471	13 of 15	7	3	Finance
522	H&R Block/16	Henry W Bloch/63	471	4	—	475	15 of 15	30	30	Founder
374	Boatmen's Bancshares/ 5	Donald N Brandin/64	659	—	—	659	59 of 192	30	13	Banking
73	Boeing/ 1	[11]Thornton A Wilson/65	998	31	674	1,703	7 of 14	43	17	Technical
471	Boise Cascade/27	John B Fery/56	480	50	—	530	9 of 14	29	13	Production
85	Borden/18	Eugene J Sullivan/65	1,039	44	522	1,605	2 of 24	40	6	Sales
65	Borg-Warner/13	[12]James F Beré/63	736	14	1,056	1,806	6 of 30	25	14	Production
626	Boston Edison/15	Stephen J Sweeney/57	368	—	—	368	24 of 75	32	2	Technical
472	Bowater/27	Anthony P Gammie/51	496	23	12	530	10 of 14	31	3	Production
720	Branch Corp/ 5	L Vincent Lowe Jr/50	261	17	—	277	170 of 192	24	4	Banking
69	Bristol-Myers/19	Richard L Gelb/62	1,179	55	546	1,780	5 of 30	36	14	Administration
696	Brooklyn Union Gas/24	Eugene H Luntey/65	290	17	—	307	20 of 23	38	1	Technical
330	Brown-Forman/ 6	W L Lyons Brown Jr/49	718	18	—	736	7 of 9	25	10	Marketing
250	Brown Group/28	Bernard A Bridgewater Jr/52	712	12	146	870	20 of 41	7	4	Administration
49	Browning-Ferris Inds/29	Harry J Phillips Sr/56	461	—	1,525	1,986	1 of 7	15	8	Founder
58	Brunswick/22	Jack F Reichert/55	733	1,137	—	1,870	4 of 13	28	4	Marketing
498	Burlington Inds/ 3	William A Klopman/64	440	63	—	503	5 of 5	40	9	Marketing
137	Burlington Northern/30	Richard M Bressler/55	1,060	13	150	1,222	7 of 14	6	6	Finance
173	Burroughs/10	W Michael Blumenthal/60	925	117	—	1,042	12 of 32	6	5	Administration
534	Cabot/25	Robert A Charpie/60	450	6	—	456	28 of 36	17	17	Technical
359	CalFed/ 5	George P Rutland/54	649	38	—	687	55 of 192	4	1	Banking
754	California First Bank/ 5	Seishichi Itoh/51	217	6	—	222	184 of 192	14	1	Banking
320	Campbell Soup/18	R Gordon McGovern/59	650	9	100	759	13 of 24	30	5	Marketing
343	Capital Cities/ABC/ 9	Thomas S Murphy/61	625	84	—	709	14 of 21	31	19	Administration
201	Capital Holding/21	Thomas C Simons/57	943	16	—	959	11 of 38	8	8	Insurance
668	Carolina Power & Lt/15	Sherwood H Smith Jr/51	326	9	—	335	32 of 75	21	6	Legal
511	Carson Pirie Scott/28	Peter S Willmott/49	399	—	91	490	29 of 41	3	3	Finance

NOTE: For explanation of industry group rankings, see page 151. *Annualized current salary. [9]Succeeded by Walter F Williams, 3/1/86. [10]Succeeded by Nolan D Archibald, 3/20/86. [11]Succeeded by Frank A Shrontz, 4/28/86. [12]Succeeded by Clarence E Johnson, 4/22/86.

Who Gets The Most Pay

Rank	Company/industry	Chief executive/age	Compensation ($000) salary and bonus	other	stock gains	total	Rank in industry	Tenure (years) with firm	as CEO	Business background
322	Carter Hawley Hale/28	Philip M Hawley/60	645	2	109	756	22 of 41	28	9	Retailing
520	Carteret Savings/ 5	Robert B O'Brien Jr/51	479	—	—	479	99 of 192	11	11	Banking
497	Castle & Cook/18	David H Murdock/62	504	—	—	504	17 of 24	4	1	Investment
569	Caterpillar Tractor/20	George A Schaefer/58	419	8	—	427	9 of 11	35	1	Finance
562	CBI Industries/11	William A Pogue/58	434	—	—	434	16 of 16	32	4	Sales
156	CBS/ 9	Thomas H Wyman/56	1,030	35	—	1,065	9 of 21	6	6	Marketing
46	Celanese/ 7	John D Macomber/58	1,077	14	919	2,010	3 of 17	13	8	Administration
428	Centel/31	Robert P Reuss/68	571	14	—	585	12 of 16	13	13	Operations
536	Centerre Bancorp/ 5	Clarence C Barksdale/54	434	17	4	454	108 of 192	27	8	Banking
529	Centex/11	Paul R Seegers/56	436	30	—	466	13 of 16	24	7	Finance
585	Central & South West/15	Durwood Chalker/62	378	32	—	411	19 of 75	36	6	Technical
542	Central Bancorp/ 5	Oliver W Birckhead/64	450	—	—	450	108 of 192	35	14	Banking
188	Central Bancshares/ 5	Harry B Brock Jr/60	449	—	531	980	24 of 192	15	15	Founder
496	Central Fidelity Banks/ 5	Carroll L Saine/52	425	12	68	505	90 of 192	29	5	Banking
784	Central Hudson G&E/15	[15]Theodore J Carlson/66	160	—	—	160	73 of 75	18	11	Operations
775	Central Ill Pub Svc/15	Donald G Raymer/61	191	—	—	192	68 of 75	38	5	Operations
518	CenTrust/ 5	David L Paul/46	473	12	—	485	97 of 192	2	2	Investment
253	Champion Intl/27	Andrew C Sigler/54	793	—	74	866	5 of 14	29	11	Sales
525	Charter /25	[14]Alexander P Zechella/65	318	153	—	471	27 of 36	7	3	Technical
115	Chase Manhattan/ 5	Willard C Butcher/59	1,040	272	—	1,312	15 of 192	39	6	Banking
190	Chemical New York/ 5	Walter V Shipley/50	700	279	—	979	25 of 192	29	2	Banking
327	Chesebrough-Pond's/ 7	Ralph E Ward/65	561	184	—	745	7 of 17	39	18	Marketing
116	Chevron/25	George M Keller/62	1,158	149	—	1,307	8 of 36	38	5	Technical
1	Chrysler/ 4	Lee Iacocca/61	1,617	22	9,809	11,449	1 of 18	7	6	Operations
387	Chubb/21	Henry U Harder/61	570	73	—	643	19 of 38	37	5	Insurance
157	Cigna/21	Robert D Kilpatrick/62	750	314	—	1,064	8 of 38	32	10	Insurance
649	Cincinnati Financial/21	John J Schiff/70	350	—	—	350	32 of 38	7	1	Insurance
719	Cincinnati G&E/15	William H Dickhoner/64	234	44	—	278	47 of 75	45	10	Technical
233	Circle K/17	Karl Eller/58	320	—	580	900	8 of 26	2	2	Marketing
614	Citadel Holding/ 5	Gerald D Barrone/55	368	10	—	379	128 of 192	31	1	Banking
190	Citicorp/ 5	John S Reed/47	935	35	—	970	26 of 192	21	1	Banking
450	Citizens & So Ga/ 5	Bennett A Brown/57	337	174	55	565	79 of 192	31	8	Banking
133	Citizens Fidelity/ 5	J David Grissom/47	456	—	772	1,228	17 of 192	13	9	Legal
348	City National/ 5	Bram Goldsmith/63	701	—	—	701	53 of 192	11	11	Finance
17	CityFed Financial/ 5	[13]Gilbert G Roessner/68	581	88	2,231	2,900	2 of 192	45	16	Banking
601	[16]Cleveland Electric/15	Robert M Ginn/62	337	23	32	392	21 of 75	37	7	Technical
555	Clorox/12	Charles R Weaver/57	418	24	—	442	14 of 15	32	1	Marketing
617	Coast S&L Assn/ 5	Ray Martin/50	377	—	—	377	129 of 192	27	2	Banking
267	Coastal Corp/25	Oscar S Wyatt Jr/61	842	—	—	842	14 of 36	30	30	Founder
27	Coca-Cola/ 6	Roberto C Goizueta/55	1,433	453	480	2,365	2 of 9	31	5	Technical

NOTE: For explanation of industry group rankings, see page 151. [13]Succeeded by John E Mack III, 4/1/86. [14]Succeeded by D Thomas Moody, 1/1/86. [15]Succeeded by Alfred J Hedden, 4/10/86. [16]Merged with Toledo Edison to form Centerior Energy, 4/29/86.



The wages of success

Lee Iacocca's total compensation of $11.4 million, which led all the rest last year, works out to about 7 cents per Chrysler share. In five years Chrysler stock gained 1,700%.

Rank	Company/industry	Chief executive/age	Compensation ($000) salary and bonus	other	stock gains	total	Rank in industry	Tenure (years) with firm	as CEO	Business background
584	Coleco Industries/22	Arnold C Greenberg/53	411	—	—	411	12 of 13	20	13	Legal
310	Colgate-Palmolive/12	Reuben Mark/47	748	23	—	771	9 of 15	23	2	Marketing
353	Collins & Aikman/ 3	Donald F McCullough/61	692	1	—	693	3 of 5	40	25	Marketing
748	Colorado Natl Bkshs/ 5	Will F Nicholson Jr/58	224	—	13	237	180 of 192	16	1	Banking
39	Colt Industries/ 4	David I Margolis/56	1,142	59	892	2,093	2 of 18	23	2	Finance
577	Columbia Gas System/24	John H Croom/53	400	19	—	419	18 of 23	32	1	Marketing
3	Columbia S&L/ 5	Thomas Spiegel/40	3,960	5,072	—	9,032	1 of 192	9	9	Finance
486	Combined Intl/21	Patrick G Ryan/49	450	63	—	513	23 of 38	22	3	Insurance
282	Combustion Eng/20	Charles E Hugel/57	749	59	—	809	6 of 11	3	2	Operations
102	Comdisco/29	Kenneth N Pontikes/46	1,401	9	—	1,409	3 of 7	16	16	Marketing
564	Comerica/ 5	Donald R Mandich/60	430	—	—	430	113 of 192	35	5	Banking
766	Commerce Bcshs/ 5	James M Kemper Jr/64	193	8	—	201	187 of 192	39	19	Banking
675	Commerce Clearing/ 9	Richard T Merrill/58	297	29	—	326	20 of 21	33	6	Administration
319	Commerce Union/ 5	Dennis C Bottorff/41	260	123	377	759	49 of 192	17	1	Banking
612	Commonwealth Ed/15	James J O'Connor/49	383	—	—	383	23 of 75	22	6	Administration
50	Community Psych Ctrs/19	James W Conte/58	575	30	1,370	1,975	4 of 30	17	9	Administration
104	ConAgra/18	Charles M Harper/58	875	507	—	1,382	4 of 24	11	10	Administration
652	Conifer Group/ 5	[17]William D Ireland Jr/63	342	5	—	348	147 of 192	22	13	Banking
418	Consolidated Edison/15	Arthur Hauspurg/61	449	157	—	606	3 of 75	17	4	Technical
68	Consol Freightways/30	Raymond F O'Brien/64	658	200	928	1,786	4 of 14	28	9	Finance
209	Consol Natural Gas/24	George J Tankersley/65	620	170	158	948	4 of 23	19	7	Operations
666	Consolidated Papers/27	George W Mead/58	323	13	—	336	14 of 14	33	20	Operations
680	Consumers Power/15	William T McCormick Jr/41	320*	—	—	320	37 of 75	8	1	Technical
339	Continental Bancorp/ 5	Roy T Peraino/58	512	50	154	716	52 of 192	28	16	Finance
413	Continental Corp/21	John P Mascotte/47	508	22	72	602	20 of 38	5	3	Insurance
409	Continental Illinois/ 5	John E Swearingen/67	600	6	—	606	67 of 192	1	1	Administration
238	Continental Telecom/31	John N Lemasters/52	659	230	—	888	5 of 16	2	1	Technical
467	Control Data/10	[18]William C Norris/74	535	—	—	535	24 of 32	28	28	Founder
264	Cooper Industries/20	Robert Cizik/55	848	—	—	848	5 of 11	24	11	Finance
608	Adolph Coors/ 6	William K Coors/69	387	—	—	387	9 of 9	46	25	Technical
277	CoreStates Financial/ 5	G Morris Dorrance Jr/63	595	51	171	817	38 of 192	34	17	Finance
170	Corning Glass Works/19	James R Houghton/50	607	23	421	1,051	11 of 30	23	3	Administration
414	CPC International/18	James R Eiszner/58	495	79	26	601	15 of 24	22	1	Technical
141	Cray Research/10	John A Rollwagen/45	497	10	681	1,188	7 of 32	10	5	Marketing
672	CrossLand Savings/ 5	Luke A Baione/65	331	—	—	331	152 of 192	40	13	Finance
462	Crown Central Pet/25	Henry A Rosenberg Jr/56	530	14	—	544	25 of 36	33	15	Administration
760	Crown Cork & Seal/26	John F Connelly/81	216	1	—	217	5 of 6	29	29	Sales
99	Crown Zellerbach/27	William T Creson/56	520	10	892	1,422	2 of 14	9	4	Technical
40	CSX/30	Hays T Watkins/60	1,018	—	1,065	2,083	1 of 14	37	15	Finance
677	Cullen/Frost Bankers/ 5	Thomas C Frost/58	302	22	—	324	153 of 192	36	15	Banking
62	Cummins Engine/ 4	Henry B Schacht/51	693	727	412	1,832	4 of 18	21	16	Administration
395	Cyclops/23	William H Knoell/61	558	—	71	629	6 of 15	19	13	Legal
123	Dana/ 4	Gerald B Mitchell/58	933	72	260	1,265	6 of 18	42	6	Operations
183	Dart & Kraft/18	John M Richman/58	955	35	—	990	5 of 24	31	7	Legal
79	Data General/10	Edson D de Castro/47	375	—	1,305	1,680	3 of 32	18	18	Founder

NOTE: For explanation of industry group rankings, see page 151. *Annualized current salary. [17]Succeeded by Kenneth McIlraith, 1/1/86. [18]Succeeded by Robert M Price, 1/10/86.

Who Gets The Most Pay

			Compensation ($000)					Tenure (years)		
Rank	Company/industry	Chief executive/age	salary and bonus	other	stock gains	total	Rank in industry	with firm	as CEO	Business background
751	Dauphin Deposit/ 5	John D Wickert/63	228	—	—	228	183 of 192	12	6	Banking
130	Dayton-Hudson/28	Kenneth A Macke/47	991	248	—	1,239	10 of 41	24	2	Retailing
595	Deere/20	Robert A Hanson/61	401	—	—	401	10 of 11	36	3	Marketing
732	Delmarva Power & Lt/15	Nevius M Curtis/56	257	—	—	257	51 of 75	7	4	Administration
223	Delta Air Lines/ 2	Devid C Garrett Jr/63	472	454	—	926	2 of 14	39	8	Operations
317	Deluxe Check/ 9	Eugene R Olson/60	372	59	53	485	18 of 21	42	8	Marketing
723	Deposit Guaranty/ 5	Emerson B Robinson Jr/43	263	10	—	273	172 of 192	18	2	Banking
548	Detroit Edison/15	Walter J McCarthy Jr/61	385	67	—	452	13 of 75	22	4	Operations
265	Diamond Shamrock/25	William H Bricker/54	844	—	—	844	13 of 36	17	9	Marketing
323	Digital Equipment/10	Kenneth H Olsen/60	755	—	—	755	19 of 32	28	28	Founder
193	Dillard Dept Stores/28	William T Dillard Sr/71	943	30	—	973	16 of 41	47	47	Founder
35	Walt Disney/22	Michael D Eisner/44	2,124	7	—	2,131	3 of 13	2	1	Operations
598	Dominion Bankshares/ 5	Warner N Dalhouse/52	355	11	34	400	123 of 192	30	4	Marketing
636	Dominion Resources/15	William W Berry/54	357	2	—	359	26 of 75	29	3	Technical
134	RR Donnelley/ 9	John B Schwemm/52	589	197	441	1,227	7 of 21	21	2	Legal
508	Dover/18	Gary L Roubos/49	485	7	—	492	28 of 30	15	5	Operations
112	Dow Chemical/ 7	Paul F Oreffice/58	992	8	335	1,334	4 of 17	33	8	Finance
118	Dow Jones/ 9	Warren H Phillips/60	607	500	177	1,284	4 of 21	39	11	Journalism
749	Downey Savings & Loan/ 5	Gerald H McQuarrie/65	236	—	—	236	181 of 192	28	8	Founder
648	[19]DPL/15	Peter H Forster/64	346	5	—	351	28 of 75	13	1	Operations
671	Dresser Industries/25	John J Murphy/54	331	—	—	331	33 of 36	34	2	Operations
82	Dreyfus/16	Howard Stein/60	1,391	239	—	1,630	7 of 15	31	16	Investment
45	EI du Pont/25	[20]Edward G Jefferson/64	1,016	49	959	2,024	5 of 36	35	5	Technical
639	Duke Power/15	William S Lee/57	271	85	—	356	27 of 75	31	4	Technical
290	Dun & Bradstreet/ 9	Charles W Moritz/49	800	—	—	800	11 of 21	25	1	Marketing
706	Duquesne Light/15	[21]John M Arthur/63	288	1	—	289	43 of 75	41	17	Operations
32	E-Systems/ 1	John W Dixon/66	1,703	12	458	2,173	5 of 14	24	17	Administration
406	Eastern Air Lines/ 2	Frank Borman/58	365	—	246	611	5 of 14	16	10	Technical
515	Eastern Gas & Fuel/24	William J Pruyn/63	485	—	—	485	16 of 23	34	8	Finance
230	Eastman Kodak/22	Colby H Chandler/61	906	—	—	906	6 of 13	35	2	Technical
23	Eaton/10	[22]E Mandell de Windt/65	1,147	822	657	2,626	1 of 32	44	16	Operations
563	Jack Eckerd/28	Stewart Turley/51	420	11	—	430	33 of 41	19	11	Administration
240	EG&G/ 1	Dean W Freed/63	618	—	266	884	12 of 14	15	3	Technical
708	El Paso Electric/15	Evern R Wall/53	285	—	—	285	44 of 75	29	10	Technical
155	Emerson Electric/14	Charles F Knight/50	1,075	—	—	1,075	1 of 5	13	12	Administration
425	Emhart/20	Peter L Scott/59	588*	—	—	588	7 of 11	1	1	Technical
349	Engelhard/23	Orin R Smith/50	700	—	—	700	3 of 15	14	2	Administration
7	[23]Enron/24	Kenneth L Lay/44	737	3,056	—	3,794	1 of 23	2	2	Technical
248	Enserch/24	William C McCord/58	675	115	87	878	7 of 23	37	15	Technical
177	Entex/24	Jackson C Hinds/64	393	11	621	1,024	3 of 23	17	14	Legal
52	Equitable Bancorp/ 5	H Grant Hathaway/58	643	—	1,291	1,934	4 of 192	31	4	Banking
460	Equitable Resources/24	Donald I Moritz/59	329	—	222	550	14 of 23	34	8	Legal
394	Ethyl/ 7	Floyd D Gottwald Jr/63	608	22	—	630	11 of 17	43	16	Administration
398	Ex-Cell-O/ 1	E Paul Casey/56	605	15	—	620	14 of 14	36	4	Administration
9	Exxon/25	Clifton C Garvin Jr/64	1,454	64	2,107	3,625	2 of 36	39	10	Technical

NOTE: For explanation of industry group rankings, see page 151. *Annualized current salary. [19]Formerly Dayton Power & Light. [20]Succeeded by Richard E Heckert, 5/5/86. [21]Succeeded by Welsey W von Schack, 1/1/86. [22]Succeeded by James R Stover, 4/23/86. [23]Formerly Internorth.

Who Gets The Most Pay

			Compensation ($000)					Tenure (years)		
Rank	Company/industry	Chief executive/age	salary and bonus	other	stock gains	total	Rank in industry	with firm	as CEO	Business background
501	Far West Financial/ 5	David E Blackford/37	490	12	—	501	91 of 192	2	1	Banking
516	Farm & Home Savings/ 5	C A Duncan Jr/69	485	—	—	485	96 of 192	40	30	Administration
332	Farmers Group/21	Richard G Lindsley/64	663	67	—	730	15 of 38	35	7	Insurance
600	Federal Express/ 2	Frederick W Smith/41	389	6	—	395	12 of 14	15	15	Founder
488	Fedl Natl Mortgage/16	David O Maxwell/56	501	10	—	511	13 of 15	5	5	Legal
92	Federated Dept Stores/28	Howard Goldfeder/60	755	10	746	1,511	7 of 41	39	5	Retailing
256	Fidelcor/ 5	Harold W Pote/39	467	70	307	844	35 of 192	14	2	Banking
531	Fifth Third Bancorp/ 5	Clement L Buenger/60	336	30	95	461	101 of 192	16	5	Banking
477	Finl Corp of America/ 5	William J Popejoy/48	522	—	—	522	85 of 192	1	1	Banking
283	Fin Corp Santa Barbara/ 5	Philip R Brinkerhoff/43	769	40	—	809	40 of 192	1	1	Finance
711	Fireman's Fund/21	John J Byrne/54	283	—	—	283	34 of 38	1	1	Insurance
523	Firestone/ 4	John J Nevin/59	460	12	—	472	15 of 18	6	5	Marketing
506	First Alabama Bcshs/ 5	Willard L Hurley/59	411	12	73	496	94 of 192	28	2	Banking
168	First American/ 5	Kenneth L Roberts/53	430	168	456	1,054	20 of 192	10	9	Banking
707	First Bncp of Ohio/ 5	Howard L Flood/52	190	—	96	286	165 of 192	23	1	Banking
387	First Bank System/ 5	Dewalt H Ankeny Jr/53	576	17	185	778	46 of 192	18	1	Banking
25	First Boston/16	Peter T Buchanan/51	2,300	263	—	2,563	3 of 15	29	3	Investment
763	First Capital/ 5	Frank R Day/48	203	6	—	210	186 of 192	28	10	Banking
362	First Chicago/ 5	Barry F Sullivan/55	638	45	—	683	56 of 192	5	5	Banking
746	First Citizens / 5	Lewis R Holding/58	234	5	—	239	179 of 192	22	28	Finance
503	First City Bancorp/ 5	James A Elkins Jr/67	500	—	—	500	92 of 192	44	23	Banking
561	First Columbia Finl/ 5	Bob R Baker/49	200	234	—	434	112 of 192	20	3	Banking
718	First Commerce / 5	Ian Arnof/46	279	—	—	279	169 of 192	7	3	Banking
738	First Empire State/ 5	Robert G Wilmers/52	251	—	—	251	177 of 192	3	3	Banking
148	First Executive/21	Fred Carr/55	1,136[24]	—	—	1,136	7 of 38	11	11	Finance
445	First Federal Mich/ 5	James A Aliber/60	363	8	197	568	77 of 192	29	9	Banking
272	First Fidelity Bncp/ 5	Robert R Ferguson Jr/62	559	11	258	828	86 of 192	36	13	Banking
791	First Florida Banks/ 5	A Bronson Thayer/46	8[25]	—	—	8	192 of 192	4	3	Finance
539	First Hawaiian/ 5	John D Bellinger/63	453	—	—	453	106 of 192	44	16	Banking
91	First Interstate Bncp/ 5	Joseph J Pinola/61	920	76	541	1,537	9 of 192	10	8	Banking
624	First Jersey Natl/ 5	Thomas J Stanton Jr/66	369	—	—	369	133 of 192	32	1	Banking
321	First Kentucky Natl/ 5	A Stevens Miles/56	379	13	366	758	50 of 192	32	11	Banking
682	First Maryland Bncp/ 5	Charles W Cole Jr/50	318	—	—	318	154 of 192	25	2	Banking
735	First Natl Cincinnati/ 5	Oliver W Waddell/55	250	4	—	254	176 of 192	29	2	Banking
628	First of America Bank/ 5	Daniel R Smith/52	319	48	—	367	136 of 192	30	1	Banking
566	First Pennsylvania/ 5	George A Butler/58	424	5	—	429	115 of 192	36	6	Banking
533	First RR & Banking/ 5	Charles B Presley/	375	26	60	461	102 of 192	32	10	Banking
646	First Security/ 5	Spencer F Eccles/51	343	10	—	353	148 of 192	27	5	Banking
663	First Tennessee Natl/ 5	Ronald Terry/55	273	65	—	338	151 of 192	29	12	Banking
364	First Union/ 5	Edward E Crutchfield Jr/44	638	39	—	677	57 of 192	21	2	Banking
693	First Virginia Banks/ 5	Robert H Zalokar/	295	12	—	307	157 of 192	30	1	Banking
335	First Wachovia/ 5	John G Medlin Jr/52	560	38	126	725	51 of 192	27	9	Banking
657	First Wisconsin/ 5	Hal C Kuehl/63	325	18	—	343	149 of 192	38	8	Banking
716	FirsTier/ 5	John D Woods/56	236	43	—	279	167 of 192	10	10	Banking
254	Fleet Financial/ 5	J Terrence Murray/46	623	30	211	865	33 of 192	23	4	Finance

NOTE: For explanation of industry group rankings, see page 151. [24]Figures are for year ended 12/31/84. [25]Director's fee only.

Who Gets The Most Pay

Rank	Company/industry	Chief executive/age	Compensation ($000) salary and bonus	other	stock gains	total	Rank in industry	Tenure (years) with firm	as CEO	Business background
281	Fleming Cos/17	Richard D Harrison/63	711	6	92	809	12 of 26	32	20	Legal
717	Florida Federal S&L/ 5	[26]Raleigh W Greene Jr/59	279	—	—	279	168 of 192	33	18	Legal
721	Florida Natl Banks/ 5	John D Uible/50	277	—	—	277	171 of 192	9	2	Banking
530	Florida Progress/15	Andrew H Hines Jr/63	462	—	—	462	12 of 75	34	13	Technical
542	Fluor/11	David S Tappan Jr/64	450	—	—	450	14 of 16	34	1	Sales
56	FMC/13	Robert H Malott/59	833	1,069	—	1,902	4 of 30	33	14	Operations
637	Food Lion/17	[27]Ralph W Ketner/65	328	31	—	358	22 of 26	28	28	Founder
76	Ford Motor/ 4	Donald E Petersen/59	1,437	1	255	1,693	5 of 18	36	1	Administration
232	Fort Howard Paper/27	Paul J Schierl/51	564	53	286	903	4 of 14	22	11	Legal
702	Fourth Financial/ 5	Jordan L Haines/59	293	4	—	297	164 of 192	24	1	Administration
556	FPL Group/15	Marshall McDonald/68	347	94	—	441	15 of 75	14	1	Administration
404	Freeport-McMoRan/ 7	James R Moffett/47	595	18	—	613	12 of 17	16	1	Technical
616	Fremont General/21	James A McIntyre/53	378	—	—	378	29 of 38	22	9	Finance
340	Fruehauf/ 4	Robert D Rowan/64	698	16	—	714	12 of 18	30	12	Finance
431	GAF/11	Samuel J Heyman/69	567	14	—	581	9 of 16	47	24	Technical

Youth vs. experience

David Blackford, 37, of Far West Financial is the youngest chief executive on the FORBES list of best-paid bosses. The oldest: Armand Hammer, 88, of Occidental Petroleum.

Rank	Company/industry	Chief executive/age	salary and bonus	other	stock gains	total	Rank in industry	with firm	as CEO	Business background
105	Gannett/ 9	Allen H Neuharth/62	1,333	48	—	1,381	3 of 21	23	13	Journalism
415	GATX/30	James J Glasser/52	479	121	—	600	12 of 14	24	7	Legal
187	Geico/21	William B Snyder/56	386	14	581	980	10 of 38	9	1	Marketing
386	Geico/29	N Bud Grossman/65	630	—	13	643	6 of 7	29	29	Founder
481	GenCorp/ 4	A William Reynolds/53	333	183	—	517	14 of 18	1	1	Administration
708	Genentech/19	Robert A Swanson/38	285	—	—	285	30 of 30	10	10	Founder
435	General Cinema/ 6	Richard A Smith/61	578	1	—	578	8 of 9	39	39	Administration
12	General Dynamics/ 1	[28]David S Lewis/68	1,062	25	2,289	3,376	2 of 14	15	15	Technical
84	General Electric/13	John F Welch Jr/50	1,463	35	117	1,614	7 of 30	25	5	Technical
192	General Mills/18	H Brewster Atwater Jr/55	587	28	361	976	7 of 24	28	5	Marketing
57	General Motors/ 4	Roger B Smith/60	1,655	47	198	1,900	3 of 18	36	5	Finance
660	General Public Utils/15	William G Kuhns/64	340	—	—	340	29 of 75	30	19	Finance
514	General Re/21	Frank W Munson/58	487	—	—	487	25 of 38	32	2	Insurance
408	General Signal/10	David T Kimball/58	601	8	—	608	22 of 32	13	2	Administration
453	Genuine Parts/28	Wilton Looney/67	561	—	—	561	26 of 41	47	24	Operations
234	Georgia-Pacific/11	T Marshall Hahn Jr/59	577	128	189	894	2 of 16	11	8	Technical
656	Gerber Products/18	William L McKinley/62	285	7	54	346	19 of 24	35	1	Operations
202	Giant Food/17	Israel Cohen/73	959	—	—	959	7 of 26	50	8	Founder
303	Gibraltar Financial/ 5	Herbert J Young/54	424	—	356	780	44 of 192	33	24	Administration
296	Gillette/12	Colman M Mockler Jr/56	753	36	—	789	8 of 15	28	11	Finance
647	GlenFed/ 5	Raymond D Edwards/67	343	10	—	352	144 of 192	40	21	Marketing
554	Golden West Finl/ 5	[29]Herbert M Sandler/54	442	—	—	442	111 of 192	22	22	Founder
216	BF Goodrich/ 4	John D Ong/52	471	17	451	939	8 of 16	25	6	Legal
186	Goodyear/ 4	Robert E Mercer/62	984	—	—	984	7 of 18	39	3	Administration
356	Gould/10	[30]William T Ylvisaker/62	682	8	—	689	21 of 32	18	18	Administration

NOTE: For explanation of industry group rankings, see page 151. [26]Succeeded by Eric Stattin, 4/1/86. [27]Succeeded by Tom Smith, 1/1/86. [28]Succeeded by Stanley C Pace, 1/1/86. [29]Office jointly held with Marion O Sandler. [30]Succeeded by James F McDonald, 4/29/86.

[redacted]

Rank	Company/industry	Chief executive/age	Compensation ($000) salary and bonus	other	stock gains	total	Rank in industry	Tenure (years) with firm	as CEO	Business background
153	WR Grace/13	J Peter Grace/73	955	129	—	1,083	13 of 30	49	40	Finance
432	WW Grainger/14	David W Grainger/58	500	81	—	581	2 of 5	36	12	Administration
456	Gt Am First Savings/ 5	Gordon C Luce/60	495	8	54	557	82 of 192	16	16	Administration
28	Great A&P Tea/17	James Wood/56	1,815	—	499	2,314	1 of 26	6	6	Retailing
750	Great Lakes Fedl S&L/ 5	Roy E Weber/57	232	—	—	232	182 of 192	35	16	Banking
653	Gt Northern Nekoosa/27	William R Laidig/59	298	8	41	346	13 of 14	36	1	Production
110	Gt Western Financial/ 5	James F Montgomery/51	1,032	—	319	1,351	13 of 192	10	7	Finance
160	Greyhound/30	John W Teets/52	866	—	195	1,061	8 of 14	22	4	Administration
377	Grumman/ 1	John C Bierwirth/62	530	—	123	653	13 of 14	13	11	Finance
165	GTE/31	Theodore F Brophy/63	1,037	19	—	1,056	2 of 16	28	10	Legal
631	Guarantee Financial/ 5	Lewis S Eaton/66	363	—	—	363	138 of 192	40	19	Banking
127	Gulf & Western Inds/16	Martin S Davis/59	1,238	9	—	1,247	9 of 15	28	3	Marketing
546	Gulf States Utilities/15	Dr Paul W Murrill/51	388	10	49	447	14 of 75	8	4	Administration
280	Halliburton/25	Thomas H Cruikshank/55	600	210	—	819	15 of 36	17	3	Legal
587	Hammermill Paper/27	W Craig McClelland/52	208	8	191	407	12 of 14	21	1	Administration
24	Harcourt Brace/ 9	William Jovanovich/66	630	35	1,932	2,597	2 of 21	39	31	Administration
257	Harris Corp/10	[31]Joseph A Boyd/65	862	—	—	862	16 of 32	24	8	Technical
446	Harsco/13	Jeffrey J Burdge/64	459	5	103	568	26 of 30	32	9	Finance
276	Hartford National/ 5	Robert L Newell/63	495	—	327	822	37 of 192	40	10	Banking
4	Hasbro/22	Stephen D Hassenfeld/44	1,138	—	3,627	4,764	1 of 13	22	6	Operations
5	HJ Heinz/18	Anthony J F O'Reilly/50	910	1,065	2,118	4,093	1 of 24	17	6	Legal
194	Hercules/ 7	Alexander F Giacco/66	866	107	—	973	5 of 17	44	8	Technical
269	Hershey Foods/18	Richard A Zimmerman/54	525	311	—	836	10 of 24	28	2	Operations
129	Hewlett-Packard/10	John A Young/54	860	83	298	1,241	5 of 32	27	8	Technical
380	Hibernia/ 5	Martin C Miler/51	636	13	—	649	62 of 192	12	12	Banking
402	Hilton Hotels/22	Barron Hilton/58	617	—	—	617	9 of 13	31	20	Administration
443	Holiday/22	Michael D Rose/44	562	7	—	569	10 of 13	12	5	Operations
545	Home Federal S&L/ 5	Kim Fletcher/58	440	8	—	448	109 of 192	35	17	Finance
6	Home Group/21	George T Scharffenberger/67	1,170	2,775	—	3,945	1 of 38	20	20	Operations
714	Homestake Mining/23	Harry M Conger/55	280	—	—	280	15 of 15	10	7	Technical
295	Honeywell/10	Edson W Spencer/60	789	—	—	789	17 of 32	31	11	Sales
388	Horizon Bancorp/ 5	William J Shepherd/60	291	215	135	641	64 of 192	21	10	Banking
433	George A Hormel/18	Richard L Knowlton/54	570	11	—	580	16 of 24	37	4	Marketing
109	Hospital Corp/19	Dr Thomas F Frist Jr/47	250	345	779	1,374	9 of 30	17	3	Founder
78	Household International/16	Donald C Clark/54	1,031	62	590	1,683	6 of 15	30	3	Finance
489	Houston Industries/15	Don D Jordan/54	495	16	—	511	9 of 75	29	9	Legal
651	Howard Savings Bank/ 5	Donald F McCormick/55	330	18	—	348	146 of 192	12	3	Banking
560	Hughes Tool/25	William A Kistler Jr/59	425	10	—	435	30 of 36	39	1	Administration
329	Humana/19	David A Jones/54	628	113	—	741	19 of 30	24	24	Founder
182	Huntington Bcshs/ 5	Frank Wobst/52	569	19	411	999	23 of 192	11	5	Banking
138	EF Hutton Group/16	Robert Fomon/61	1,200	14	—	1,214	10 of 15	35	15	Investment
61	IC Industries/13	William B Johnson/67	1,050	205	591	1,847	5 of 30	20	20	Legal
0	ICH/21	Robert T Shaw/52	—	—	—	—[32]	38 of 38	21	11	Insurance
786	Idaho Power/15	Robert J O'Connor/58	148	8	—	156	74 of 75	34	1	Legal
703	Illinois Power/15	Wendell J Kelley/60	291	1	—	292	41 of 75	36	19	Technical

NOTE: For explanation of industry group rankings, see page 151. [31]Succeeded by John T Hartley, 4/1/86.
[32]Fees paid to management consulting firm in which CEO has an interest.

Who Gets The Most Pay

Rank	Company/industry	Chief executive/age	Compensation ($000) salary and bonus	other	stock gains	total	Rank in industry	Tenure (years) with firm	as CEO	Business background
180	Illinois Tool Works/20	John D Nichols/55	435	569	—	1,004	1 of 11	6	4	Operations
619	Imperial Corp of Am/ 5	Kenneth J Thygerson/41	375*	—	—	375	130 of 192	1	1	Finance
441	Indiana National/ 5	Thomas M Miller/56	432	10	130	572	76 of 192	31	5	Banking
222	Ingersoll-Rand/20	Thomas A Holmes/62	757	170	—	927	2 of 11	36	5	Operations
553	Inland Steel/23	Frank W Luerssen/58	420	14	9	443	12 of 15	34	3	Technical
[illegible]	Intel/10	Gordon E Moore/57	355	1	—	356	29 of 31	17	11	Founder
474	Interco/13	Harvey Saligman/47	525	—	—	525	27 of 30	10	3	Administration
643	InterFirst/ 5	Robert H Stewart III/60	350	4	—	354	140 of 192	35	2	Banking
779	Intergraph/10	James W Meadlock/52	175	—	—	175	32 of 32	17	17	Founder
331	IBM/10	John F Akers/51	736	—	—	736	20 of 32	25	1	Marketing
633	Intl Flavors & Frags/ 7	Eugene P Grisanti/57	351	11	—	362	16 of 17	26	1	Legal
342	Intl Minerals & Chem/ 7	George D Kennedy/60	699	11	—	710	8 of 17	15	2	Administration
691	Intl Multifoods/18	Andre Gillet/59	296	13	—	309	21 of 24	35	2	Administration
244	International Paper/26	John A Georges/55	680	200	—	880	3 of 6	7	1	Technical
778	Iowa-Illinois G&E/24	Barry C O'Brien/59	179	6	—	185	23 of 23	26	2	Finance
730	Ipalco Enterprises/15	Zane G Todd/62	262	—	—	262	30 of 75	35	10	Operations
285	Irving Bank/ 5	Joseph A Rice/61	808	—	—	808	41 of 192	19	2	Finance
98	ITT/13	Rand V Araskog/54	1,008	79	362	1,445	9 of 30	19	6	Administration
309	IU International/13	John Gilray Christy/53	641	—	—	641	25 of 30	14	5	Operations
38	James River Corp Va/27	Brenton S Halsey/59	523	8	1,572	2,104	1 of 14	17	17	Founder
135	Jefferson-Pilot/21	W Roger Soles/65	770	—	455	1,225	6 of 38	39	18	Investment
301	Jim Walter/13	Joe B Cordell/58	724	61	—	785	22 of 30	27	2	Finance
147	Johnson & Johnson/12	James E Burke/61	998	—	149	1,148	2 of 15	33	9	Marketing
235	Johnson Controls/29	Fred L Brengel/63	881	9	—	890	4 of 7	38	19	Sales
43	K mart/28	Bernard M Fauber/63	900	28	1,121	2,050	4 of 41	44	6	Retailing
586	Kaiser Alum & Chem/23	Cornell C Maier/61	408	—	—	408	13 of 15	36	13	Operations
740	Kansas City P&L/15	Arthur J Doyle/63	246	3	—	249	53 of 75	13	6	Legal
765	Kansas Gas & Elec/15	Wilson K Cadman/58	203	—	—	203	63 of 75	35	5	Administration
747	Kansas Power & Light/24	William E Wall/58	235	3	—	238	22 of 23	11	10	Legal
268	Kellogg/18	William E LaMothe/59	810	29	—	839	9 of 24	35	7	Marketing
771	Kemper /21	Joseph E Luecke/59	192	3	—	195	37 of 38	34	7	Insurance
764	Kentucky Utilities/15	William B Bechanan/60	205	1	—	205	62 of 75	37	7	Technical
548	Kerr-McGee/25	Frank A McPherson/53	437	10	—	447	29 of 36	26	3	Technical
416	KeyCorp/ 5	Victor J Riley Jr/54	598	—	—	598	69 of 192	22	12	Finance
220	Kidde/13	Fred R Sullivan/71	780	155	—	935	18 of 30	22	22	Finance
233	Kimberly-Clark/12	Darwin E Smith/60	938	16	—	954	4 of 15	28	14	Legal
125	Knight-Ridder/ 9	Alvah H Chapman Jr/65	813	4	435	1,253	6 of 21	25	10	Operations
704	Koppers/ 7	Charles R Pullin/62	288	4	—	292	17 of 17	40	4	Administration
166	Kroger/17	Lyle Everingham/60	719	—	336	1,055	6 of 26	39	8	Retailing
258	Lear Siegler/18	Robert T Campion/65	860	—	—	860	19 of 30	28	15	Finance
578	Leaseway Transport/30	Gerald C McDonough/58	419	—	—	419	14 of 14	6	3	Finance
242	Libbey-Owens-Ford/20	[33]Don T McKone/64	450	433	—	883	4 of 11	37	7	Administration
759	Life Investors/21	Robert D Ray/70	217	—	—	217	36 of 38	3	3	Insurance
96	Eli Lilly/19	Richard D Wood/59	815	434	210	1,459	7 of 30	36	13	Marketing
146	Limited/28	Leslie H Wexner/48	907	242	—	1,148	11 of 41	22	22	Founder

NOTE: For explanation of industry group rankings, see page 151. *Annualized current salary. [33]Succeeded by Darryl F Allen, 4/17/86.

Rank	Company/industry	Chief executive/age	Compensation ($000) salary and bonus	other	stock gains	total	Rank in industry	Tenure (years) with firm	as CEO	Business background
292	LIN Broadcasting/42	Donald A Pels/58	790	8	—	798	12 of 21	17	17	Legal
502	Lincoln National /21	Ian M Rolland/53	501	—	—	501	24 of 38	30	9	Insurance
136	Litton Industries/13	Fred W O'Green/65	1,189	34	—	1,223	11 of 30	23	4	Technical
397	Liz Claiborne/ 3	Elisabeth C Ortenberg/57	625	—	—	625	4 of 5	10	10	Founder
15	Lockheed/ 1	[54]Roy A Anderson/65	916	18	2,060	2,994	4 of 14	29	8	Finance
351	Loews/21	Laurence A Tisch/63	679	21	—	700	17 of 38	30	25	Finance
757	Long Island Lighting/15	William J Catacosinos/56	213	6	—	219	59 of 75	7	2	Technical
690	Longs Drug Stores/28	Robert M Long/48	301	8	—	309	38 of 41	25	9	Retailing
239	Loral/ 1	Bernard L Schwartz/60	884	—	—	884	11 of 14	14	14	Administration
786	Louisiana Bancshares/ 5	Charles W McCoy/65	200	20	—	220	185 of 192	26	25	Banking
365	Louisiana Land/25	Ernest L Williamson/61	579	96	—	675	22 of 36	32	2	Administration
357	Louisiana-Pacific/11	Harry A Merlo/61	550	139	—	689	5 of 16	36	12	Marketing
783	Louisville G&E/15	Robert L Royer/58	171	1	—	172	72 of 75	37	7	Technical
557	Lowe's Cos/28	Leonard G Herring/59	441	—	—	441	32 of 41	30	7	Finance
315	LTV/23	Raymond A Hay/57	719	42	—	760	2 of 15	11	3	Administration
463	Lubrizol/ 7	Lester E Coleman/55	499	17	26	542	14 of 17	31	8	Technical
599	Lucky Stores/17	John M Lillie/49	396	—	—	396	19 of 26	7	1	Operations
568	Mack Trucks/ 4	John B Curcio/52	300	127	—	427	16 of 18	19	2	Marketing
399	Macmillan/ 9	Edward P Evans/44	609	10	—	619	16 of 21	6	6	Administration
37	RH Macy/28	Edward S Finkelstein/61	931	1,175	—	2,106	3 of 41	37	5	Retailing
210	Manufacturers Hanover/ 5	John F McGillicuddy/55	942	—	—	942	27 of 192	27	7	Banking
625	Manufacturers Natl/ 5	Dean E Richardson/58	369	1	—	369	134 of 192	32	13	Banking
391	Manville/11	John A McKinney/62	638	—	—	638	7 of 16	34	9	Legal
358	Mapco/25	James E Barnes/52	650	21	17	688	21 of 36	3	2	Operations
176	Marine / 5	George R Slater/62	362	—	667	1,029	22 of 192	10	8	Banking
305	Marine Midland Banks/ 5	John R Petty/56	653	127	—	780	45 of 192	9	3	Finance
423	Marion Laboratories/19	Fred W Lyons Jr/51	565	26	—	591	26 of 30	18	2	Administration
293	Marriott/22	J Willard Marriott Jr/54	797	—	—	797	8 of 13	30	14	Administration
56	Marsh & McLennan Cos/21	[55]John M Regan Jr/65	1,116	497	303	1,916	4 of 38	40	13	Insurance
81	Marshall & Ilsley/ 5	John A Puelicher/65	275	1,388	—	1,663	7 of 192	40	28	Banking
219	Martin Marietta/ 1	Thomas G Pownall/64	936	—	—	936	10 of 14	23	4	Marketing
552	Maryland National/ 5	Alan P Hoblitzell Jr/55	439	4	—	443	110 of 192	29	3	Banking
249	Masco/11	Richard A Manoogian/49	842	30	—	872	3 of 16	28	18	Administration
256	Mattel/22	Arthur S Spear/65	788	74	—	863	7 of 13	21	11	Operations
171	May Dept Stores/28	David C Farrell/53	875	12	160	1,047[56]	13 of 41	30	7	Retailing
291	Maytag/12	Daniel J Krumm/59	470	—	329	799	7 of 15	33	12	Marketing
466	MCA/22	Lew R Wasserman/73	509	30	—	539	11 of 13	49	39	Sales
162	McDonald's/17	Fred L Turner/53	550	30	480	1,060	4 of 26	30	12	Retailing
47	McDonnell Douglas/ 1	Sanford N McDonnell/63	1,050	—	958	2,008	6 of 14	37	14	Technical
449	McGraw-Hill/ 9	Joseph L Dionne/53	425	141	—	566	17 of 21	20	3	Operations
383	MCI Communications/31	William G McGowan/58	645	—	—	645	10 of 16	17	17	Founder
247	McKesson/19	Neil E Harlan/65	811	20	47	878	15 of 30	12	2	Finance
478	MCorp/ 5	Gene H Bishop/56	476	45	—	521	86 of 192	11	11	Banking
107	Mead/27	Burnell R Roberts/59	626	8	745	1,379	3 of 14	19	4	Finance
278	Mellon Bank/ 5	J David Barnes/57	740	77	—	817	39 of 192	30	5	Banking

NOTE: For explanation of industry group rankings, see page 151. [54]Succeeded by Lawrence O Kitchen, 1/1/86. [55]Succeeded by Frank J Tasco, 1/16/86. [56]Figures are for year ended 1/31/85.

Who Gets The Most Pay

Rank	Company/industry	Chief executive/age	Compensation ($000) salary and bonus	other	stock gains	total	Rank in industry	Tenure (years) with firm	as CEO	Business background
221	Melville/28	Francis C Rooney Jr/64	746	—	182	928	18 of 41	33	22	Retailing
370	MeraBank/ 5	Gene E Rice/56	640	26	—	666	58 of 192	32	4	Banking
448	Mercantile Bancorp/ 5	Donald E Lasater/60	490	18	58	566	78 of 192	27	15	Legal
213	Mercantile Bkshs/ 5	H Furlong Baldwin/54	385	15	540	940	28 of 192	29	10	Banking
317	Mercantile Stores/28	Leon F Winbigler/60	729	30	—	759	21 of 41	37	11	Retailing
567	Merchants National/ 5	Otto N Frenzel III/55	383	44	—	428	116 of 192	31	13	Banking
363	Merck/19	P Roy Vagelos/56	679	2	—	681	23 of 30	11	1	Technical
541	Meridian Bancorp/ 5	Samuel A McCullough/47	432	20	—	452	107 of 192	10	8	Banking
66	Merrill Lynch /16	William A Schreyer/58	1,601	—	—	1,601	8 of 15	38	1	Investment
2	Mesa Petroleum/25	T Boone Pickens Jr/58	4,203	5,674	—	9,877	1 of 36	29	29	Founder
519	Michigan National/ 5	Robert J Mylod/46	413	70	—	484	98 of 192	1	1	Banking
770	Middle South Utils/15	Edwin A Lupberger/50	191	4	—	196	65 of 75	7	1	Finance
217	Midlantic Banks/ 5	Robert Van Buren/61	723	217	--	939	30 of 192	15	9	Banking
271	Minn Mining & Mfg/13	[37]Lewis W Lehr/65	829	—	—	829	21 of 30	39	7	Technical
715	Minnesota Power/15	Jack F Rowe/59	221	59	—	280	46 of 75	35	7	Technical

Winners and losers

Median compensation for chief executives in financial services jumped 91% in 1985 and fell 30% for those in the electrical equipment industry.

Rank	Company/industry	Chief executive/age	Compensation ($000) salary and bonus	other	stock gains	total	Rank in industry	Tenure (years) with firm	as CEO	Business background
31	Mobil/25	[38]Rawleigh Warner Jr/65	1,541	323	342	2,206	3 of 36	32	16	Finance
698	Monarch Capital/21	Gordon N Oakes Jr/45	304	—	—	304	33 of 38	3	3	Banking
755	Monfort of Colorado/18	Kenneth W Monfort/57	220	—	—	220	24 of 24	36	6	Founder
344	Monsanto/ 7	Richard J Mahoney/52	500	149	57	706	9 of 17	23	2	Marketing
780	Montana Power/15	W Paul Schmechel/59	167	8	—	174	70 of 75	32	3	Operations
697	Moore Financial/ 5	Fred C Humphreys/62	301	4	—	306	160 of 192	35	2	Banking
111	JP Morgan/ 5	Lewis T Preston/59	1,163	84	95	1,342	14 of 192	34	6	Banking
492	Morrison-Knudsen/11	William J Deasy/48	509	—	—	509	11 of 16	22	1	Technology
16	Morton Thiokol/ 7	Charles S Locke/57	884	14	2,094	2,991	1 of 17	10	6	Finance
452	Motorola/31	Robert W Galvin/63	540	25	—	564	13 of 16	46	26	Administration
582	Murphy Oil/25	Robert J Sweeney/58	383	18	12	413	31 of 36	34	2	Operations
458	Nalco Chemical/ 7	Worley H Clark Jr/54	362	156	36	554	13 of 17	26	3	Sales
727	Nash Finch/17	Harold B Finch Jr/58	220	44	3	267	24 of 26	20	4	Technical
700	National Bcshs Texas/ 5	Richard W Calvert/54	294	8	—	302	162 of 192	22	15	Banking
100	National City / 5	[39]Julien L McCall/65	675	10	736	1,421	10 of 192	14	5	Banking
44	National Distillers/ 7	[40]Drummond C Bell/70	748	—	1,286	2,034	2 of 17	29	15	Finance
392	National Intergroup/23	Howard M Love/56	550	83	—	633	5 of 15	30	6	Operations
19	National Medical/19	Richard K Eamer/58	985	—	1,914	2,899	1 of 30	17	17	Founder
89	Natl Semiconductor/10	Charles E Sporck/58	362	3	1,177	1,542	4 of 32	19	19	Production
521	National Service/14	Erwin Zaban/64	477	—	—	477	4 of 5	49	13	Administration
246	Navistar Intl/ 4	Donald D Lennox/67	475	403	—	878	10 of 18	6	3	Operations
251	NBD Bancorp/ 5	Charles T Fisher III/56	745	124	—	868	32 of 192	27	3	Banking
379	NCNB/ 5	Hugh L McColl Jr/51	600	51	—	651	61 of 192	26	2	Banking
226	NCR/10	Charles E Exley Jr/56	905	9	—	915	15 of 32	9	3	Finance
664	New England Electric/15	Samuel Huntington/47	247	90	—	337	30 of 75	9	1	Administration

NOTE: For explanation of industry group rankings, see page 151. [37]Succeeded by Allen Jacobson, 3/1/86. [38]Succeeded by Allen E Murray, 2/1/86. [39]Succeeded by J Robert Killpack, 4/28/86. [40]Succeeded by John Hoyt Stookey, 4/24/86.

			Compensation ($000)					Tenure (years)		
Rank	Company/industry	Chief executive/age	salary and bonus	other	stock gains	total	Rank in industry	with firm	as CEO	Business background
752	NY State E&G/15	Wells P Allen Jr/65	226	—	—	227	57 of 75	37	3	Technical
139	New York Times/ 9	Arthur Ochs Sulzberger/60	710	240	243	1,193	8 of 21	32	23	Journalism
635	Newmont Mining/23	Gordon R Parker/50	360	—	—	360	14 of 15	27	1	Operations
678	Niagara Mohawk Power/15	John G Haehl Jr/63	320	2	—	322	35 of 75	24	13	Finance
551	Nicor/24	[41]Clarence J Gauthier/64	277	169	—	445	17 of 23	40	15	Technical
400	NL Industries/25	Theodore C Rogers/52	595	24	—	619	23 of 36	6	4	Operations
604	Nordstrom/28	[42]Bruce A Nordstrom/53	300	43	48	391	35 of 41	31	15	Retailing
237	Norfolk Southern/30	Robert B Claytor/64	812	19	59	890	9 of 14	34	4	Legal
384	Norstar Bancorp/ 5	Peter D Kiernan/62	529	116	—	644	63 of 192	12	12	Insurance
255	North Amer Philips/12	Cees Bruynes/53	810	54	—	864	5 of 15	11	4	Marketing
603	Northeast Bancorp/ 5	Thomas F Richardson/64	326	13	52	391	124 of 192	39	12	Banking
734	Northeast Savings/ 5	Kent Dixon/48	254	—	—	254	175 of 192	25	3	Banking
680	Northeast Utilities/15	William B Ellis/45	320	—	—	320	37 of 75	10	3	Technical
679	No Indiana Pub Svc/15	Edmund A Schroer/58	284	38	—	322	36 of 75	9	9	Legal
580	No States Power/15	Donald W McCarthy/64	413	6	—	418	18 of 75	38	9	Operations
158	Northern Trust/ 5	Weston R Christopherson/61	639	425	—	1,064	19 of 192	1	1	Legal
124	Northrop/ 1	Thomas V Jones/65	1,200	55	—	1,255	8 of 14	32	26	Technical
629	Northwestern Natl Life/21	John E Pearson/59	332	35	—	366	31 of 38	33	9	Sales
393	Norwest/ 5	Lloyd P Johnson/56	478	154	—	633	66 of 192	1	1	Banking
401	Nucor/23	F Kenneth Iverson/60	431	187	—	618	7 of 15	23	20	Technical
576	NWA/ 2	Steven G Rothmeier/39	350	—	70	420	10 of 14	13	1	Finance
259	Nynex/31	Delbert C Staley/61	780	57	19	856	6 of 16	40	2	Operations
145	Occidental Petroleum/25	Armand Hammer/88	1,127	30	—	1,157	11 of 36	28	28	Finance
669	Ohio Edison/15	Justin T Rogers Jr/56	333	—	—	333	33 of 75	27	6	Legal
685	Oklahoma G&E/15	James G Harlow Jr/52	302	—	—	302	39 of 75	25	10	Finance
630	Old Kent Financial/ 5	John C Canepa/55	365	—	—	365	137 of 192	16	4	Banking
729	Old Republic Intl/21	William R Stover/63	266	—	—	266	35 of 38	41	10	Insurance
594	Old Stone / 5	Theodore W Barnes/55	401	—	—	401	122 of 192	38	10	Banking
179	Olin/13	John M Henske/63	610	25	373	1,009	14 of 30	16	8	Operations
371	Owens-Corning/11	William W Boeschenstein/60	615	23	27	665	6 of 16	35	13	Marketing
152	Owens-Illinois/26	Robert J Lanigan/58	811	172	106	1,089	2 of 6	35	2	Operations
338	Paccar/ 4	Charles M Pigott/57	719	—	—	719	11 of 18	30	18	Administration
742	Pacific First Finl/ 5	James K Anderson/50	237	12	—	248	178 of 192	4	2	Banking
369	Pacific G&E/15	[43]Frederick W Mielke Jr/65	650	16	—	667	2 of 75	35	7	Legal
211	Pacific Lighting/24	Paul A Miller/61	675	267	—	942	5 of 23	37	17	Finance
673	Pacific Resources/25	Robert G Reed III/58	329†	—	—	329	34 of 36	1	1	Administration
347	Pacific Telesis/31	Donald E Guinn/53	587	115	—	702	9 of 16	32	2	Operations
476	PacifiCorp/15	Don C Frisbee/62	522	—	—	522	6 of 75	32	14	Finance
53	Paine Webber Group/16	Donald B Marron/51	1,206	5	722	1,934	4 of 15	27	6	Investment
490	Pan Am / 2	C Edward Acker/57	500	11	—	511	8 of 14	4	4	Administration
475	Panhandle Eastern/24	Robert D Hunsucker/61	485	—	38	523	15 of 23	34	3	Finance
482	Parker-Hannifin/20	Paul G Schloemer/57	510	6	—	515	8 of 11	28	2	Operations
670	Payless Cashways/28	David Stanley/50	332	—	—	332	37 of 41	6	4	Legal
304	Penn Central/13	Alfred W Martinelli/58	750	30	—	780	23 of 30	26	4	Finance
593	Pennbancorp/ 5	William F Roemer/52	240	20	143	403	121 of 192	7	1	Banking

NOTE: For explanation of industry group rankings, see page 151. †Salary since joining company, 5/1/85. [41]Succeeded by Richard G Cline, 1/1/86. [42]Office jointly held with James F & John N Nordstrom. [43]Succeeded by Richard A Clark, 5/1/86.

Who Gets The Most Pay

Rank	Company/industry	Chief executive/age	Compensation ($000) salary and bonus	other	stock gains	total	Rank in industry	Tenure (years) with firm	as CEO	Business background
336	JC Penney/28	William R Howell/50	587	138	—	725	23 of 41	28	2	Retailing
726	Pennsylvania P&L/15	Robert K Campbell/56	269	—	—	269	49 of 75	9	7	Technical
306	Pennzoil/25	J Hugh Liedtke/64	666	114	—	780	17 of 36	30	23	Legal
642	Peoples Bancorp/ 5	Joshua Green III/50	355	—	—	355	139 of 192	25	9	Banking
436	Peoples Energy/24	Eugene A Tracy/58	244	7	326	577	12 of 23	34	4	Finance
68	PepsiCo/ 6	[44]Donald M Kendall/65	1,168	—	680	1,848	4 of 9	39	23	Marketing
444	Perkin-Elmer/10	Horace G McDonell Jr/57	507	1	61	569	23 of 32	34	1	Technical
712	Perpetual American/ 5	Thomas J Owen/51	281	2	—	283	166 of 192	11	9	Banking
787	Petrie Stores/28	Milton J Petrie/83	150	—	—	150	40 of 41	59	59	Founder
30	Pfizer/19	Edmund T Pratt Jr/59	1,060	—	1,200	2,260	3 of 30	21	13	Finance
360	PHH Group/29	Jerome W Geckle/57	503	18	163	683	5 of 7	30	5	Administration
13	Phibro-Salomon/16	John H Gutfreund/57	3,066	42	—	3,108	1 of 15	33	2	Investment
667	Philadelphia Electric/15	James L Everett/59	336	—	—	336	31 of 75	36	8	Technical
159	Philip Morris Cos/ 6	Hamish Maxwell/59	1,061	1	—	1,062	6 of 9	32	1	Marketing
314	Phillips Petroleum/25	C J Silas/54	660	103	—	763	19 of 36	32	1	Operations
464	Piedmont Aviation/ 2	William R Howard/64	542	—	—	542	7 of 11	8	3	Legal
274	Pillsbury/18	John M Stafford/49	491	—	332	824	11 of 24	11	1	Administration
725	Pioneer Hi-Bred Intl/18	Thomas N Urban/52	270	—	—	270	22 of 24	25	5	Administration
144	Pitney Bowes/10	George B Harvey/55	638	528	—	1,166	8 of 32	29	3	Finance
504	Pittston/ 8	Paul W Douglas/59	500	—	—	500	1 of 1	2	2	Sales
437	PNC Financial/ 5	Thomas H O'Brien/49	472	36	68	576	74 of 192	23	1	Banking
618	Polaroid/22	[45]William J McCune Jr/71	375	—	—	375	13 of 13	46	6	Technical
722	Portland General/15	Robert H Short/61	259	16	—	276	48 of 75	31	5	Finance
479	Potomac Electric/15	W Reid Thompson/61	460	60	—	520	7 of 75	15	15	Legal
228	PPG Industries/ 4	Vincent A Sarni/57	586	262	61	910	9 of 18	17	1	Marketing
708	Premier Industrial/10	Morton L Mandel/65	285	—	—	285	31 of 32	46	46	Founder
758	Price Co/28	Robert E Price/43	218	—	—	218	39 of 41	10	10	Founder
309	Primark/24	Robert W Stewart/61	372	27	373	772	8 of 23	15	5	Marketing
197	Prime Computer/10	Joe M Henson/52	672	—	298	970	13 of 32	4	4	Marketing
143	Procter & Gamble/12	John G Smale/58	932	160	77	1,169	1 of 15	33	5	Administration
549	Provident Life & Acc/21	H Carey Hanlin/61	446	—	—	446	26 of 38	37	7	Insurance
294	PSFS/ 5	Frederick S Hammer/50	751	39	—	790	43 of 192	1	1	Banking
736	Public Service Colo/15	Richard F Walker/62	252	1	—	252	52 of 75	36	7	Technical
777	Public Service Ind/15	Hugh A Barker/60	185	2	—	186	69 of 75	27	> 9	Finance
774	Public Service NH/15	Robert J Harrison/55	193	—	—	193	67 of 75	29	3	Finance
528	Public Service NM/15	Jerry D Geist/52	467	—	—	467	11 of 75	36	10	Technical
589	Public Service E&G/15	Harold W Sonn/65	398	8	—	406	20 of 75	39	2	Administration
706	Puget Sound P&L/15	John W Ellis/57	284	6	—	290	42 of 75	16	10	Legal
199	Quaker Oats/18	William D Smithburg/47	748	9	206	963	8 of 24	20	4	Marketing
733	Questar/24	R D Cash/44	244	9	2	255	21 of 23	9	4	Technical
469	Rainier Bancorp/ 5	G Robert Truex Jr/62	533	—	—	533	83 of 192	12	12	Banking
407	Ralston Purina/18	William P Stiritz/51	600	11	—	611	14 of 24	22	4	Marketing
692	Raychem/14	Paul M Cook/62	304	4	—	308	5 of 5	29	29	Founder
206	Raytheon/13	Thomas L Phillips/62	943	11	—	954	16 of 30	38	17	Technical
200	RCA/13	Robert R Frederick/60	941	18	—	960	15 of 30	3	1	Operations

NOTE: For explanation of industry group rankings, see page 151. [44]Succeeded by D Wayne Calloway, 5/7/86. [45]Succeeded by I MacAllister Booth, 1/1/86.

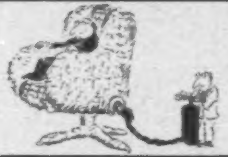
Who Gets The Most Pay

Rank	Company/industry	Chief executive/age	Compensation ($000) salary and bonus	other	stock gains	total	Rank in industry	Tenure (years) with firm	as CEO	Business background
558	Republic Airlines/ 2	Stephen M Wolf/44	244	78	119	441	9 of 14	2	1	Administration
426	Republic New York/ 5	Walter H Weiner/55	587	—	—	587	71 of 192	6	6	Legal
412	RepublicBank/ 5	Gerald W Fronterhouse/50	561	41	—	602	68 of 192	23	1	Banking
459	Revco DS/28	Sidney Dworkin/65	522	30	—	552	27 of 41	30	19	Founder
0	Revlon Group/28	Ronald O Perelman/42	—	—	—	—	41 of 41	1	1	Administration
500	Reynolds Metals/23	David P Reynolds/71	489	13	—	502	10 of 15	49	10	Marketing
504	Riggs National/ 5	Joe L Allbritton/61	500	—	—	500	93 of 192	5	4	Finance
495	Rite Aid/28	Alex Grass/58	506	—	—	506	28 of 41	38	23	Founder
97	[46]RJR Nabisco/ 6	J Tylee Wilson/55	1,349	37	62	1,447	5 of 9	12	2	Administration
493	Roadway Services/30	Charles F Zodrow/63	486	22	—	508	13 of 14	27	4	Finance
684	AH Robins/19	E Claiborne Robins Jr/42	317	—	—	317	29 of 30	17	8	Administration
743	Rochester G&E/15	Paul W Briggs/63	228	19	—	247	55 of 75	40	5	Finance
8	Rockwell Intl/ 1	Robert Anderson/65	1,326	1,427	914	3,666	1 of 14	18	12	Technical
346	Rohm & Haas/ 7	Vincent L Gregory Jr/63	689	13	—	702	10 of 17	36	15	Finance
284	Rubbermaid/12	Stanley C Gault/60	799	9	—	808	6 of 15	6	6	Marketing
66	Ryder System/30	M Anthony Burns/43	846	—	955	1,802	3 of 14	12	5	Finance
289	Safeco/21	[47]Roland M Trafton/66	381	43	377	801	13 of 38	33	7	Finance
83	Safeway Stores/17	Peter A Magowan/44	844	23	757	1,624	2 of 26	18	6	Administration
381	Saga /17	Charles A Lynch/58	606	40	—	646	15 of 26	7	7	Marketing
298	St Paul Cos/21	Robert J Haugh/60	676	—	110	786	14 of 38	37	2	Insurance
606	San Diego G&E/15	Thomas A Page/53	369	19	—	388	22 of 75	8	4	Technical
337	Santa Fe Southern/30	John J Schmidt/58	716	4	—	720	10 of 14	30	3	Legal
88	Sara Lee/18	John H Bryan Jr/49	1,067	501	—	1,568	3 of 24	26	11	Administration
773	Scana/15	John A Warren/61	183	10	—	194	66 of 75	4	1	Operations
204	Schering-Plough/19	Robert P Luciano/52	730	35	190	955	13 of 30	7	4	Legal
368	Scott Paper/12	Philip E Lippincott/50	667	—	—	667	11 of 15	27	4	Operations
126	Sea-Land/30	Joseph F Abely Jr/57	476	775	—	1,251	6 of 14	9	2	Finance
71	Sears, Roebuck/28	[48]Edward R Telling/67	1,410	93	233	1,736	5 of 41	40	8	Retailing
70	Security Pacific/ 5	Richard J Flamson III/57	923	33	789	1,745	5 of 192	31	7	Banking
424	Service Merchandise/28	Raymond Zimmerman/53	560	29	—	589	25 of 41	25	13	Founder
654	Shared Medical Sys/19	R James Macaleer/52	333	13	—	346	28 of 30	17	17	Founder
390	Shawmut / 5	John P LaWare/58	640	—	—	640	65 of 192	7	5	Banking
29	Sherwin-Williams/28	John G Breen/51	798	26	1,442	2,266	2 of 41	7	7	Operations
767	Shoney's/17	[49]R L Danner/61	200	—	—	200	26 of 26	28	10	Operations
14	Singer/ 1	Joseph B Flavin/57	685	1,685	627	2,997	3 of 14	10	10	Finance
150	SmithKline Beckman/19	Henry Wendt/52	983	37	98	1,117	10 of 30	31	4	Marketing
572	Snap-on Tools/ 4	William B Rayburn/61	424	—	—	424	17 of 18	32	2	Marketing
174	Society / 5	Gordon E Heffern/62	496	23	518	1,036	21 of 192	12	3	Administration
607	Society for Savings/ 5	Elliot C Miller/52	214	174	—	387	125 of 192	14	7	Legal
373	Sonat/24	Ronald L Kuehn Jr/51	557	103	—	659	11 of 23	6	2	Legal
644	South Carolina Natl/ 5	James G Lindley/55	339	15	—	354	141 of 192	7	5	Banking
573	Southeast Banking/ 5	Charles J Zwick/59	415	9	—	424	117 of 192	17	6	Finance
455	Southern Calif Edison/15	Howard P Allen/60	558	—	—	558	5 of 75	32	1	Legal
411	Southern Company/15	Edward L Addison/56	606	—	—	606	4 of 75	32	2	Technical
641	So New England Tel/31	Walter H Monteith Jr/55	346	9	—	355	16 of 16	31	2	Sales

NOTE: For explanation of industry group rankings, see page 151. [46]Formerly RJ Reynolds Inds. [47]Succeeded by Bruce Maines, 1/1/86. [48]Succeeded by Edward A Brennan, 1/1/86. [49]Succeeded by J Mitchell Boyd, 3/18/86.

Who Gets The Most Pay

			Compensation ($000)					Tenure (years)		
Rank	Company/industry	Chief executive/age	salary and bonus	other	stock gains	total	Rank in industry	with firm	as CEO	Business background
164	Southland/17	[50]John P Thompson/60	954	102	—	1,057	5 of 26	37	25	Finance
468	Southmark/16	Gene E Phillips/48	533	—	—	533	12 of 15	6	6	Investment
494	SouthTrust/ 5	Wallace D Malone Jr/49	443	63	—	506	89 of 192	27	5	Banking
591	Southwest Airlines/ 2	Herbert D Kelleher/55	405	—	—	405	11 of 14	19	4	Legal
196	Southwestern Bell/31	Zane E Barnes/64	950	21	—	971	3 of 16	44	11	Operations
762	Southwestern Pub Svc/15	Bert Ballengee/61	206	4	—	210	61 of 75	37	1	Finance
352	Sovran Financial/ 5	Clifford A Cutchins III/62	474	94	126	694	54 of 192	38	6	Banking
302	Sperry/10	Gerald G Probst/62	698	24	59	781	18 of 32	25	4	Technical
440	Square D/14	Donald L Kneuss/58	572	—	—	572	3 of 5	17	2	Technical
21	Squibb/19	Richard M Furlaud/63	1,050	520	1,210	2,780	2 of 30	30	20	Legal
191	Staley Continental/18	Dalton E Nordlund/64	871	106	—	977	6 of 24	30	13	Administration
312	Standard Oil/25	[51]Alton W Whitehouse Jr/58	615	29	126	770	18 of 36	17	8	Legal
231	Stanley Works/20	Donald W Davis/65	785	120	—	905	3 of 11	38	20	Administration
483	State Street Boston/ 5	William S Edgerly/59	515	—	—	515	87 of 192	10	10	Finance
378	Sterling Drug/19	John M Pietruski/53	653	—	—	653	24 of 30	8	1	Operations



Making ends meet

The average salary plus bonus of America's top chief executives rose 10.3% over the previous year's. The inflation rate, as measured by the Consumer Price Index: 2.3%.

Rank	Company/industry	Chief executive/age	salary and bonus	other	stock gains	total	Rank in industry	with firm	as CEO	Business background
215	JP Stevens/ 3	Whitney Stevens/59	639	301	—	940	1 of 5	38	6	Sales
297	Stop & Shop Cos/17	Avram J Goldberg/56	460	—	329	789	13 of 26	28	7	Retailing
512	Student Loan/16	Edward A Fox/49	448	40	—	488	14 of 15	13	13	Finance
427	Subaru of America/ 4	Harvey H Lamm/50	557	30	—	587	13 of 18	18	11	Sales
785	Sumitomo Bank Cal/ 5	Teruhisa Shimizu/53	144	12	—	156	190 of 192	31	3	Banking
132	Sun Company/25	Robert McClements Jr/57	743	16	474	1,233	10 of 36	20	1	Technical
189	Sundstrand/ 1	Evans W Erikson/59	611	368	—	979	9 of 14	34	6	Technical
454	SunTrust Banks/ 5	Robert Strickland/60	320	239	—	559	81 of 192	38	10	Banking
653	Sunwest Financial/ 5	George S Jenks/59	334	12	—	346	148 of 192	35	4	Banking
609	Super Food Services/17	Jack Twyman/52	385	—	—	385	20 of 26	16	14	Administration
275	Super Valu Stores/17	Michael W Wright/48	543	—	280	823	11 of 26	9	5	Legal
252	Supermarkets General/17	Leonard Lieberman/57	676	—	192	868	10 of 26	22	3	Legal
737	Sysco/17	John F Woodhouse/55	208	—	44	252	25 of 26	16	3	Finance
457	Tambrands/12	Edwin H Shutt Jr/58	451	—	106	557	12 of 15	5	4	Marketing
535	Tandem Computers/10	James G Treybig/45	320	—	134	454	25 of 32	11	11	Founder
532	Tandy/28	John V Roach/47	414	46	—	461	31 of 41	19	4	Operations
485	TECO Energy/15	Hugh L Culbreath/65	293	50	171	513	8 of 75	29	14	Finance
772	Tecumseh Products/20	Kenneth G Herrick/65	195	—	—	195	11 of 11	46	15	Production
688	Tektronix/10	Earl Wantland/54	296	15	—	311	30 of 32	31	11	Operations
662	Tele-Communications/ 9	John C Malone/45	327	12	—	338	19 of 21	13	13	Administration
263	Teledyne/13	[52]Henry E Singleton/69	850	—	—	850	20 of 30	25	25	Founder
163	Telex/10	Stephen J Jatras/60	402	17	640	1,059	9 of 32	21	5	Technical
421	Temple-Inland/26	Clifford J Grum/51	591	2	—	592	4 of 6	17	2	Finance
245	Tenneco/24	James L Ketelsen/55	844	35	—	879	6 of 23	27	7	Finance
403	Tesoro Petroleum/25	Robert V West Jr/65	525	89	—	614	24 of 36	30	21	Founder

NOTE: For explanation of industry group rankings, see page 151. [50]Succeeded by Jere Thompson, 5/7/86. [51]Succeeded by Robert B Horton, 4/1/86. [52]Succeeded by George A Roberts, 4/23/86.

Rank	Company/industry	Chief executive/age	Compensation ($000) salary and bonus	other	stock gains	total	Rank in industry	Tenure (years) with firm	as CEO	Business background
131	Texaco/25	John K McKinley/66	1,184	54	—	1,237	9 of 36	45	5	Technical
418	Texas Air/ 2	Francisco A Lorenzo/46	460	136	—	597	6 of 14	14	6	Finance
574	Texas American Bcshs/ 5	[53]Lewis H Bond/64	411	11	—	422	118 of 192	34	23	Banking
122	Texas Commerce Bcshs/ 5	Ben F Love/61	790	478	—	1,268	16 of 192	19	13	Finance
325	Texas Eastern/24	I David Bufkin/64	655	94	—	749	9 of 23	37	6	Technical
615	Texas Instruments/10	Jerry R Junkins/49	377	1	—	378	27 of 32	27	1	Operations
579	Texas Utilities/15	Perry G Brittain/61	404	15	—	419	17 of 75	36	3	Technical
120	Textron/13	Beverly F Dolan/58	1,247	30	—	1,277	10 of 30	32	1	Operations
701	Third National / 5	Charles W Cook Jr/51	282	17	—	298	163 of 192	26	1	Banking
149	Thrifty Corp/28	Leonard H Straus/71	524	13	580	1,118	12 of 41	40	29	Legal
326	Time Inc/ 9	J Richard Munro/55	722	—	26	748	13 of 21	28	5	Operations
119	Times Mirror/ 9	Robert F Erburu/55	872	405	—	1,277	5 of 21	24	5	Legal
713	[54]Toledo Edison/15	John P Williamson/64	250	31	—	281	45 of 75	35	13	Finance
611	Toledo Trustcorp/ 5	George W Haigh/54	330	1	54	384	127 of 192	9	7	Banking
279	Torchmark/21	Ronald K Richey/60	814	—	—	814	12 of 38	22	1	Insurance
676	Tosco/25	Matthew J Talbot/48	325	—	—	325	35 of 36	18	3	Finance
18	Toys "R" Us/28	Charles Lazarus/62	2,417	30	481	2,928	1 of 41	30	30	Founder
768	Trans World Airlines/ 2	[55]Richard D Pearson/51	200	—	—	200	14 of 14	18	1	Technical
422	Transamerica/21	James R Harvey/51	585	7	—	592	21 of 38	21	5	Finance
95	Transco Energy/24	William J Bowen/64	678	—	801	1,480	2 of 23	11	11	Operations
789	Transohio Finl/ 5	Jack D Burstein/40	113	—	—	113	191 of 192	1	1	Finance
241	Transworld/17	L Edwin Smart/62	710	108	65	883	9 of 26	19	9	Legal
117	Travelers/21	Edward H Budd/53	743	19	537	1,298	5 of 38	31	5	Insurance
0	Triangle Industries/26	Nelson Peltz/44	—	—	—	—	[56]6 of 6	2	2	Administration
366	Tribune/ 9	Stanton R Cook/60	643	28	—	672	15 of 21	35	14	Technical
41	TRW/13	Ruben F Mettler/62	910	30	1,126	2,967	2 of 30	31	8	Technical
181	Tucson Electric/15	Einar Greve/58	220	8	771	999	1 of 75	11	1	Technical
547	Turner/11	Herbert D Conant/62	425	—	22	447	15 of 16	36	1	Technical
243	UAL/ 2	Richard J Ferris/49	883	—	—	883	3 of 14	23	7	Administration
470	Union Camp/27	[57]Peter J McLaughlin/57	521	11	—	532	8 of 14	40	6	Finance
218	Union Carbide/13	Warren M Anderson/64	761	176	—	937	17 of 30	41	4	Legal
674	Union Electric/15	William E Cornelius/54	323	4	—	327	34 of 75	23	2	Finance
776	Union National/ 5	George F Kesel/54	180	11	—	191	188 of 192	25	9	Banking
64	Union Pacific/30	William S Cook/63	1,143	17	654	1,814	2 of 14	17	3	Finance
699	Union Planters/ 5	Benjamin W Rawlins Jr/48	294	10	—	304	161 of 192	11	1	Banking
610	United Banks of Colo/ 5	N Berne Hart/56	368	16	—	385	126 of 192	32	7	Banking
731	United Brands/18	Carl H Lindner/67	259	—	—	259	23 of 24	1	1	Finance
728	United Financial/ 5	Jonard M Green/56	267	—	—	267	174 of 192	1	1	Investment
788	United Illuminating/15	George W Edwards/47	128	—	—	128	75 of 75	1	1	Administration
313	United Jersey Banks/ 5	T Joseph Semrod/49	534	9	223	766	48 of 192	5	5	Banking
621	United Missouri Bcsh/ 5	R Crosby Kemper Jr/59	344	29	—	372	131 of 192	36	16	Banking
484	US Bancorp/ 5	John A Elorriaga/62	494	19	—	513	88 of 192	35	11	Banking
334	US Health Care/19	Leonard Abramson/54	633	92	—	725	20 of 30	9	10	Founder
121	United States Shoe/28	Philip G Barach/56	671	—	597	1,269	9 of 41	25	18	Administration
103	United States Steel/25	David M Roderick/62	1,008	—	387	1,395	7 of 36	27	7	Finance

NOTE: For explanation of industry group rankings, see page 151. [53]Succeeded by Joseph M Grant, 4/24/86. [54]Merged with Cleveland Electric to form Centerior Energy, 4/29/86. [55]Succeeded by Carl C Icahn, 1/3/86. [56]Fees paid to management consulting firm in which CEO has an interest. [57]Succeeded by Raymond E Cartledge, 1/1/86.

Who Gets The Most Pay

Rank	Company/industry	Chief executive/age	Compensation ($000) salary and bonus	other	stock gains	total	Rank in industry	Tenure (years) with firm	as CEO	Business background
54	US Tobacco/ 6	Louis F Bantle/57	1,109	25	795	1,928	3 of 9	23	13	Marketing
286	US Trust/ 5	Daniel P Davison/61	539	262	—	801	42 of 192	7	5	Banking
94	United Technologies/13	[56]Harry J Gray/66	1,119	371	—	1,4[illegible]	8 of 30	14	13	Administration
559	United Telecom/31	William T Esrey/46	431	7	—	438	15 of 16	6	1	Administration
695	United Virginia Bkshs/ 5	Richard G Tilghman/45	279	28	—	307	159 of 192	19	1	Banking
63	Unocal/25	Fred L Hartley/69	1,040	18	757	1,816	6 of 36	47	21	Technical
354	Upjohn/19	Ray T Parfet Jr/63	681	11	—	692	21 of 30	38	24	Finance
396	US West/31	Jack A MacAllister/58	613	13	—	625	11 of 16	36	10	Administration
333	USAir Group/ 2	Edwin I Colodny/60	550	30	149	729	4 of 14	28	10	Legal
575	USF&G/21	Jack Moseley/55	420	—	—	420	27 of 38	32	6	Insurance
208	USG/11	Robert J Day/61	629	19	302	950	1 of 16	36	1	Sales
350	USLife/21	Gordon E Crosby Jr/65	627	—	73	700	16 of 38	27	20	Marketing
769	Utah Power & Light/15	James C Taylor/61	187	10	—	197	64 of 75	33	1	Technical
442	Valero Energy/24	William E Greehey/50	547	24	—	571	13 of 23	22	12	Finance
782	Valley Federal S&L/ 5	Robert E Gibson/57	172	—	—	172	189 of 192	30	9	Banking
537	Valley National/ 5	Howard C McCrady/54	436	6	13	454	104 of 192	11	3	Finance
328	VF/ 3	Lawrence R Pugh/49	745	—	—	745	2 of 5	6	4	Marketing
10	Viacom International/ 9	Terrence A Elkes/52	628	2,849	111	3,587	1 of 21	14	2	Legal
439	Vulcan Materials/11	W Houston Blount/64	511	61	—	572	10 of 16	31	7	Operations
658	Wal-Mart Stores/28	Sam M Walton/68	325	17	—	342	36 of 41	40	40	Founder
634	Waldbaum/17	Ira Waldbaum/57	360	—	—	360	21 of 26	39	37	Administration
207	Walgreen/28	Charles R Walgreen III/50	501	451	—	952	17 of 41	34	15	Operations
590	Wang Laboratories/10	An Wang/66	405	—	—	405	26 of 32	35	35	Founder
11	Warner Communications/22	Steven J Ross/58	2,800	724	—	3,524	2 of 13	24	24	Finance
260	Warner-Lambert/19	Joseph D Williams/59	840	15	—	855	16 of 30	36	1	Technical
686	Washington Mutual/ 5	Louis H Pepper/62	311	3	—	315	155 of 192	4	4	Legal
620	Washington National/21	Stanley P Hutchison/62	319	53	—	373	30 of 38	39	10	Legal
175	Washington Post/ 9	Katharine Graham/69	569	462	—	1,031	10 of 21	23	13	Administration
744	Washington Water/15	Paul A Redmond /49	239	4	—	242	56 of 75	21	1	Operations
67	Waste Management/29	Dean L Buntrock/55	778	69	942	1,789	2 of 7	29	17	Founder
659	Weis Markets/17	Sigfried Weis/70	327	13	—	340	23 of 26	47	26	Retailing
77	Wells Fargo/ 5	Carl E Reichardt/54	925	—	761	1,686	6 of 192	15	3	Banking
513	Wendy's Intl/17	Robert L Barney/49	487	—	—	487	17 of 26	16	6	Administration
745	Western Air Lines/ 2	Gerald Grinstein/54	238	5	—	242	13 of 14	3	1	Legal
588	Western Capital Inv/ 5	Junius F Baxter/62	400	7	—	407	120 of 192	37	18	Banking
429	Western S&L/ 5	Gary H Driggs/51	517	67	—	584	72 of 192	23	10	Banking
48	Westinghouse/13	Douglas D Danforth/63	990	1,001	—	1,991	3 of 30	31	2	Production
345	Westvaco/27	David L Luke III/62	673	31	—	704	7 of 14	34	22	Finance
466	Wetterau/17	Ted C Wetterau/58	536	—	—	536	16 of 26	34	16	Marketing
405	Weyerhaeuser/11	George H Weyerhaeuser/59	595	17	—	612	8 of 16	36	20	Production
161	Whirlpool/12	Jack D Sparks/63	910	151	—	1,061	3 of 15	45	3	Marketing
527	Whitney Holding/ 5	Patrick A Delaney/54	425	43	—	468	100 of 192	32	9	Banking
93	Wickes Cos/28	Sanford C Sigoloff/55	1,474	30	—	1,504	8 of 41	4	4	Operations
570	Willamette Inds/27	William Swindells Jr/55	404	23	—	427	11 of 14	32	4	Operations
341	Williams Cos/24	Joseph H Williams/53	671	42	—	714	10 of 23	27	7	Operations

NOTE: For explanation of industry group rankings, see page 151. [56]Succeeded by Robert F Daniell, 1/1/86.

Who Gets The Most Pay

Rank	Company/industry	Chief executive/age	Compensation ($000) salary and bonus	other	stock gains	total	Rank in industry	Tenure (years) with firm	as CEO	Business background
419	Wilmington Trust/ 5	Bernard J Taylor II/60	410	—	187	597	70 of 192	6	6	Banking
581	Wilson Foods/18	Kenneth J Griggy/52	375	40	—	415	18 of 24	10	10	Marketing
592	Winn-Dixie Stores/17	A Dano Davis/41	377	26	—	403	18 of 26	17	3	Retailing
687	Wisconsin Electric/15	Charles S McNeer/60	308	5	—	313	40 of 75	36	10	Technical
741	Wisconsin P&L/15	James R Underkofler/62	248	1	—	249	54 of 75	44	17	Finance
753	Wisconsin Public Svc/15	Paul D Ziemer/64	225	2	—	226	58 of 75	38	15	Administration
509	Witco/ 7	William Wishnick/61	491	—	—	491	15 of 17	44	14	Administration
185	FW Woolworth/28	John W Lynn/65	984	—	—	984	15 of 41	44	3	Operations
169	Xerox/10	David T Kearns/55	799	30	224	1,053	11 of 32	14	4	Sales
372	Yellow Freight System/30	George E Powell Jr/60	618	43	—	662	11 of 14	34	17	Administration
72	Zayre/28	Maurice Segall/57	1,200	—	527	1,727	6 of 41	8	8	Retailing
602	Zenith Electronics/12	Jerry K Pearlman/47	368	22	2	391	15 of 15	15	3	Finance
661	Zions Utah Bancorp/ 5	Roy W Simmons/70	232	108	—	339	150 of 192	32	20	Banking

NOTE: For explanation of industry group rankings, see page 151.

Ranked by industry

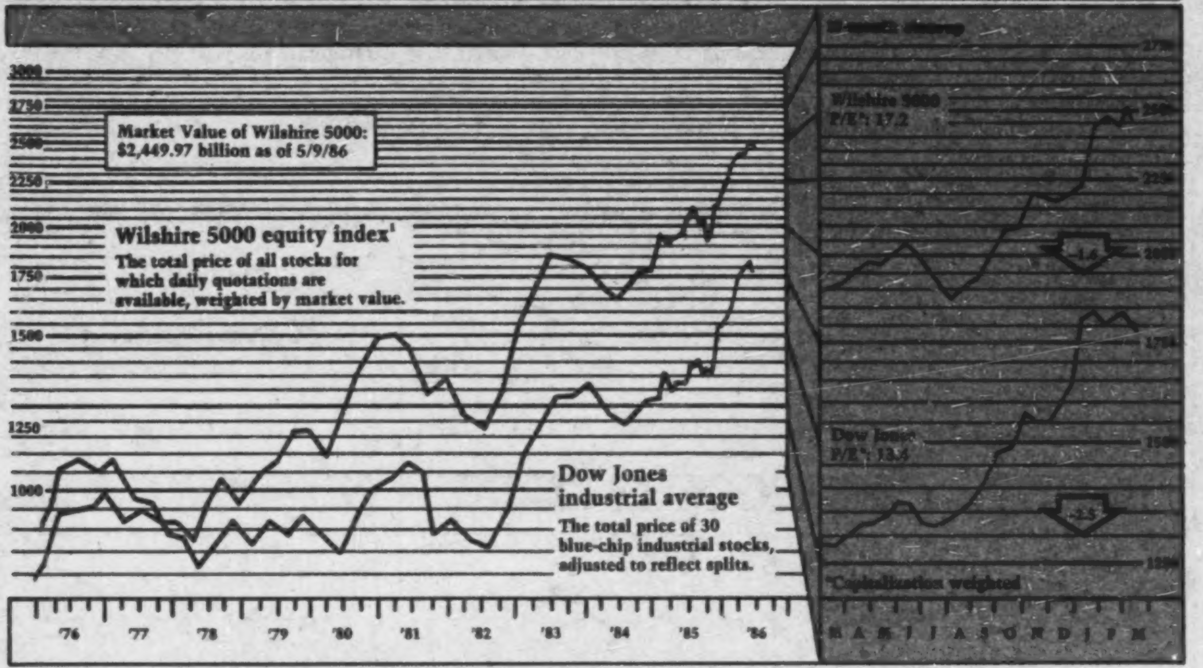
Below are the median pay levels for chief executives, and the highest and lowest paid chief executives in 31 industry groups. Wall Street had a good year in 1985—good enough to raise the median total compensation of top executives in financial services to $1.6 million. Best paid: Phibro-Salomon's John H. Gutfreund, at $3.1 million.

Industry/number of companies	Total compensation median ($000)	highest paid company	highest paid executive	($000)	lowest paid company	lowest paid executive	($000)
Financial services/15	1,601		John H Gutfreund	3,108	H&R Block	Henry W Bloch	475
Aerospace and defense/14	1,479	Rockwell Intl	Robert Anderson	3,666	Ex-Cell-O	E Paul Casey	620
Beverages and tobacco/9	1,447	Anheuser-Busch Cos	August A Busch III	2,424	Adolph Coors	William K Coors	387
Surface transportation/14	1,141	CSX	Hays T Watkins	2,083	Leaseway Transport	Gerald C McDonough	419
Diversified companies/30	957	Allied-Signal	Edward L Hennessy Jr	2,755	Berkshire Hathaway	Warren E Buffett	100
Automotive/18	894	Chrysler	Lee A Iacocca	11,449	American Motors	Jose J Dedeurwaerder	371
Services/7	890	Browning-Ferris Inds	Harry J Phillips Sr	1,986	Automatic Data Proc	Josh S Weston	593
Health/30	867	National Medical	Richard K Eamer	2,899	Genentech	Robert A Swanson	285
Leisure and recreation/13	863	Hasbro	Stephen D Hassenfeld	4,764	Polaroid	William J McCune Jr	375
Computers and electronics/32	825	Eaton	E Mandell de Windt	2,626	Intergraph	James W Meadlock	175
Heavy equipment/11	809	Illinois Tool Works	John D Nichols	1,004	Tecumseh Products	Kenneth G Herrick	195
Communications media/21	800	Viacom International	Terrence A Elkes	3,587	American Greetings	Irving I Stone	250
Consumer products/15	789	Procter & Gamble	John G Smale	1,169	Zenith Electronics	Jerry K Pearlman	391
Food processors/24	780	HJ Heinz	Anthony JF O'Reilly	4,093	Monfort of Colorado	Kenneth Monfort	220
Oil/36	767	Mesa Petroleum	T Boone Pickens Jr	9,877	Big Three Industries	Harry K Smith	318
Retailing/40	759	Toys "R" Us	Charles Lazarus	2,928	Petrie Stores	Milton J Petrie	150
Telecommunications/16	751	American Tel & Tel	Charles L Brown	1,695	So New England Tel	Walter H Monteith Jr	355
Packaging/5	736	American Can	William S Woodside	2,150	Crown Cork & Seal	John F Connelly	217
Food distributors/26	722	Great A&P Tea	James Wood	2,314	Shoney's	RL Danner	200
Chemicals/17	706	Morton Thiokol	Charles S Locke	2,991	Koppers	Charles R Pullin	292
Apparel and textiles/5	693	JP Stevens	Whitney Stevens	940	Burlington Inds	William A Klopman	503
Insurance/37	622	Home Group	George T Scharffenberger	3,945	Kemper	Joseph E Luecke	195
Paper/14	618	James River Corp Va	Brenton S Halsey	2,104	Consolidated Papers	George W Mead	336
Construction/16	597	USG	Robert J Day	950	CBI Industries	William A Pogue	434
Natural gas/23	577	Enron	Kenneth L Lay	3,794	Iowa-Illinois G&E	Barry C O'Brien	185
Electrical equipment/5	572	Emerson Electric	Charles F Knight	1,075	Raychem	Paul M Cook	300
Metals/15	568	Alleghany	Fred M Kirby	1,079	Homestake Mining	Harry M Conger	280
Air transport/14	526	AMR	Robert L Crandall	1,244	Trans World Airlines	Richard D Pearson	200
Coal/1	500	Pittston	Paul W Douglas	500	—	—	—
Banks/192	485	Columbia S&L	Thomas Spiegel	9,032	First Florida Banks	A Bronson Thayer	8
Electric utilities/75	320	Tucson Electric	Einar Greve	999	United Illuminating	George W Edwards Jr	128

NOTE: FORBES, in its Annual Report on American Industry *(Jan. 13, 1986)* lists companies in as many as three industries. Throughout these tables, FORBES ranks CEOs' compensation by primary industry.

The Forbes/Wilshire 5000 Review

Edited by Steve Kichen



A winning streak ends. Measured in Dow points, not percentages, Wall Street suffered one of its biggest one-day losses early in the recent two-week period. In that single trading session, when the Dow industrials fell almost 42 points, the 5,600 Wilshire stocks gave up more than $46 billion in market valuation. The drop in the Wilshire was greater than the capitalization of Exxon, the second-biggest company by market capital. Chernobyl, fears about further weakening of the dollar and good old-fashioned profit-taking contributed to the decline.

The correction was drastic but short. Investors didn't panic, and share prices quickly stabilized. The Dow ended the ten-day trading session 2.5% lower than it was at the start, yet it managed to eke out a 0.8% gain from its low during the period. From its nadir the Wilshire index recovered 1.3% and finished the stretch with only a 1.6% loss. Secondary issues held up somewhat better: The Amex was off 0.1%, the Nasdaq 0.8%.

Closeup On The Equity Markets

Performance of six leading indexes

Percent change	Wilshire 5000	Forbes 500[2]	Dow Jones Industrials	NYSE Composite	Amex Market Value Index	NASDAQ Composite
in last 4 weeks	1.0	-1.3	0.0	0.7	1.0	2.7
in last 52 weeks	29.4	28.9	40.4	28.6	19.6	35.4

Stock performance based on six key investor yardsticks

Percent change	Company size		Volatility[3]		P/E multiple		Dividend yield		Growth profile[4]		Share price	
	large	small	high	low	over 25	under 5	over 7.5%	none	high	low	over $40	under $
in last 4 weeks	0.3	5.1	5.9	1.7	3.2	1.1	0.4	4.5	6.8	1.1	2.2	3.3
in last 52 weeks	31.0	46.3	71.5	33.9	30.0	44.2	26.3	47.6	60.3	38.1	44.1	27.8

[1] Wilshire index reflects price performance. It differs slightly from market value of outstanding stocks because of retirements of equity since index was created.
[2] Based on sales.
[3] A stock's sensitivity to overall market movement. High-volatility issues have wide price fluctuations, low-volatility issues are more stable.
[4] A quantitative evaluation of a stock's growth image, determined by Wilshire Associates.

Note: All data for periods ending 5/9/86. Prepared by Wilshire Associates, Santa Monica, Calif.

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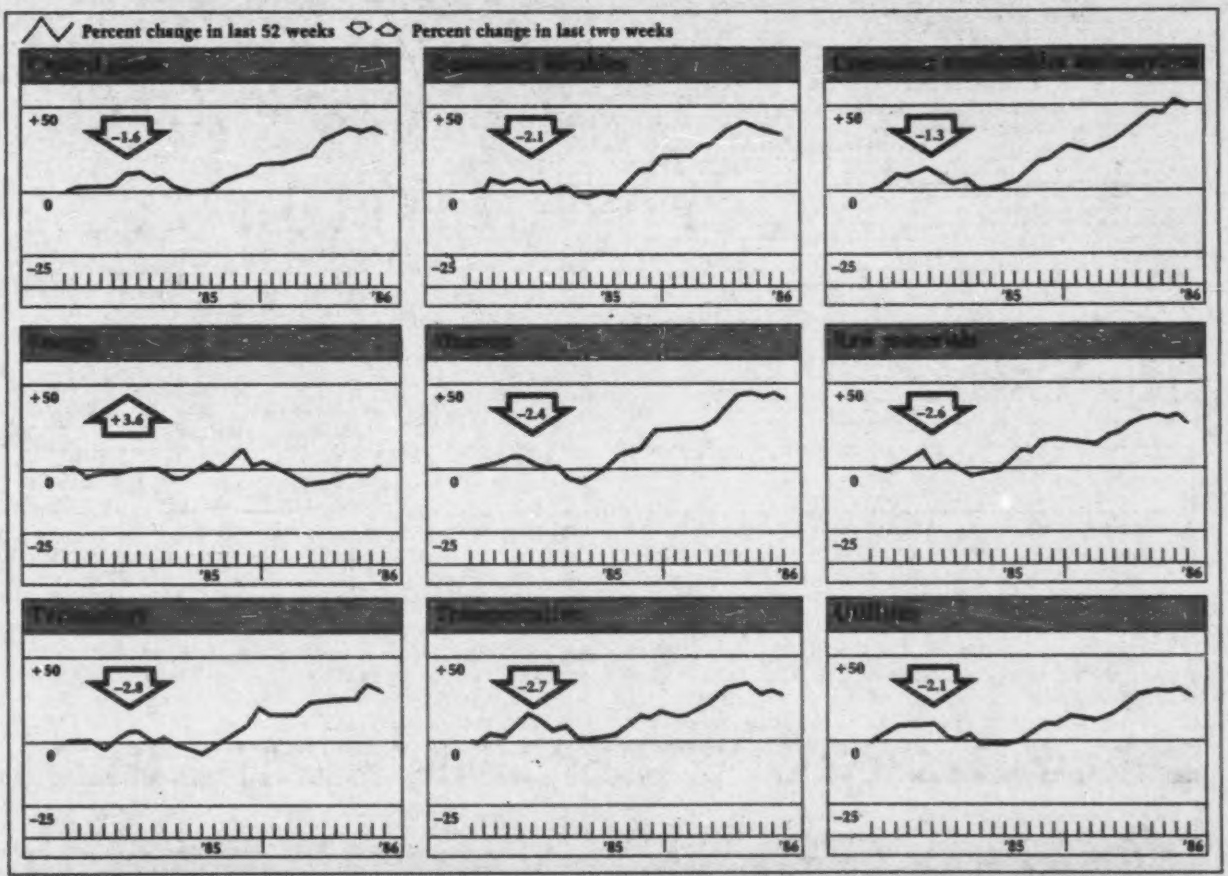
Where The Action Is

Oil turns the tables. Collapsing oil prices left the energy sector with nearly a 4% loss for the last 52 weeks, while the eight remaining Wilshire sectors show 52-week gains of 22% to 46%. But in the last ten trading days the situation changed, at least temporarily, as the energy group gained 3.6% while the remaining sectors lost ground. Escalation of the conflict between Iran and Iraq, the start of the warm-weather driving season in the U.S. and speculation that OPEC would regain some control over supply helped push up spot-market prices. The nuclear accident at Chernobyl will probably force the Russians to burn more oil for electricity. The best energy gainers over the last two weeks: Louisiana Land & Exploration, Ocean Drilling & Exploration and Ashland Oil.



What The Analysts Think

Earnings are another matter. In the last two weeks oil stocks moved opposite a declining market. At the same time, however, security analysts made the sharpest cuts in their 1986 earnings forecasts for the energy group. Estimates for oils fell 3.5%. That comes on top of a 7.2% scale-back of oil estimates two weeks earlier.

Performance period	Average earnings per share	P/E
latest 12 months	$2.96	16.0
1986 estimates	3.87	12.3
1987 estimates	4.49	10.7

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1	Utilities	$3.22	9.4	2.12%	1.79%
2	Finance	3.78	10.8	0.02	0.34
3	Consumer nondurables	2.36	16.2	0.02	1.59
4	Capital Goods	2.69	14.8	-0.23	-1.04
5	Consumer durables	4.27	9.7	-0.30	-0.14
6	Technology	2.72	14.9	-0.83	-2.13
7	Raw materials	2.12	15.1	-0.85	-1.85
8	Transportation	2.31	12.8	-2.38	-6.62
9	Energy	2.52	11.6	-3.46	-10.44

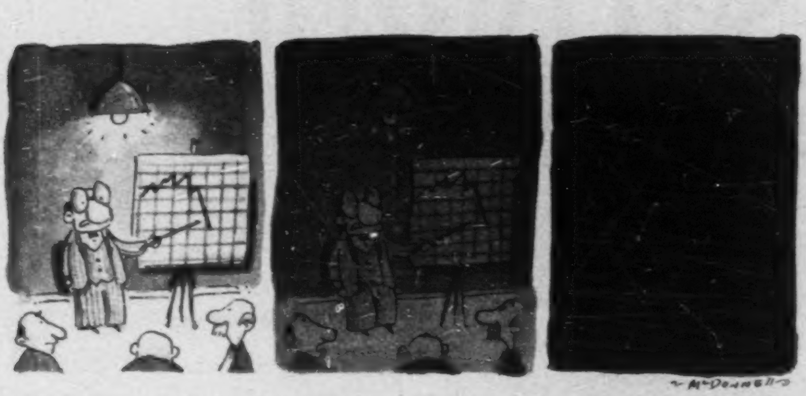
Earnings projections are capitalization-weighted consensus estimates from over 2,000 security analysts. Data are compiled and updated continuously by the Institutional Brokers Estimate System (IBES), a service of Lynch, Jones & Ryan, a New York-based brokerage firm.

Note: All data for periods ending 5/9/86. Prepared by Wilshire Associates, Santa Monica, Calif.; IBES, a service of Lynch, Jones & Ryan, New York.

Statistical Spotlight

How safe are those fat utility dividends? Not only the nuclear-heavy electrics deserve close watching. Some of the others are short on cash, too.

Looking past Chernobyl



By Michael Ozanian

ONCE THE INITIAL PANIC from the Soviet nuclear disaster subsided, investors pushed share prices of most electric utilities back to previous levels. But the disaster sharply reminded them that they should look closely at any power utility's assets and how solidly it is covering its dividends.

Chernobyl, of course, means trouble for owners of the 27 reactors in various stages of completion in this country. "We're worried about getting new plants licensed by the Nuclear Regulatory Commission," says Mark Luftig of Salomon Brothers. If licenses are delayed, there will be more months in which the utility has to cover the cost of financing the plant out of its own pocket. Utilities have also been finding it harder to earn an adequate return once a nuclear plant is turned on. "Rate commissions are finding excuses," says Luftig. He cites Duquesne Light, which recently cut its dividend from $2.06 to $1.20 in anticipation of not getting reasonable rate treatment for two plants in Ohio and Pennsylvania.

The table below lists 15 electric utilities with significant financial risk from unfinished or unlicensed nuclear plants. The column "Nuclear

Nuclear load

These utilities have a large percentage of their capital tied up in unfinished or unlicensed nuclear plants. The ones in states with low "regulatory rankings" are in particular danger of never fully recovering the costs.

Company	Nuclear exposure[1]	Nuclear rate impact[2]	Regulatory climate[3]	Interest coverage[4]	Cash flow/ dividend 1985	Price recent	Price 52-week high–low	Dividend	Yield
El Paso Electric	294%	81%	C+	2.0	1.6	16¼	18½–12¾	$1.52	9.4%
Philadelphia Electric	245	28	D+	1.9	0.6	17¾	20¼–13⅞	2.20	12.4
United Illuminating	235	30	B	2.2	2.8	31⅜	35⅛–15	2.32	7.4
Pub Svc New Hampshire	204	71	C	0.9	NA	9⅛	11⅜– 3⅜	0.00	—
Long Island Lighting	203	47	B	1.6	NA	11⅞	14⅝– 5⅜	0.00	—
Illinois Power	202	40	B –	2.2	1.4	25⅝	29¼–21⅜	2.64	10.3
Centerior Energy[5]	190	41	C	NA	NA	24½	25⅜–23¾	2.56	10.4
Ohio Edison	176	34	C	1.4	1.2	18½	20¾–14	1.92	10.4
Northeast Utilities	164	23	B–	2.4	2.0	20⅝	22⅞–14½	1.68	8.1
Gulf States Utilities	163	27	D	1.4	1.1	10	16½– 9⅞	1.64	16.4
AZP Group	161	40	C–	2.3	1.7	28⅝	32 –22½	2.72	9.5
Eastern Utilities	158	25	C	1.9	2.2	31⅝	37 –18⅝	2.18	6.9
Central Hudson Gas & Elec	153	20	C+	2.5	2.0	33	35⅛–24	2.96	9.0
Carolina Power & Light	149	27	C	2.9	2.9	33¼	35⅞–25⅛	2.68	8.1
Duquesne Light	120	25	D+	2.0	1.3	13⅛	19½–13	1.20	8.6

NA: Not available. [1] Investment in nuclear plants not currently on line, as a percentage of common stock equity. [2] Estimated rate increase needed to recover construction costs when pending plants become operable. [3] Salomon Brothers' grading of state utility commission willingness to grant rate increases. [4] Earnings (excluding AFDC) before interest and taxes, divided by interest charges. [5] Formed Apr. 29 as merger of Cleveland Electric and Toledo Edison. *Source: Salomon Brothers*

Self-sufficient

These utilities ranked high in ability to cover construction costs with cash flow. Just as important, however, is "Interest coverage." This measures how comfortably a company is servicing its debt.

Company	1986E + 1987E const expend (mil)	1986E + 1987E internal cash (mil)	cash/ const	Interest coverage	Cash flow/ dividend 1985	Price recent	Price 52-week high–low	Dividend	Yield	AFDC[1]/ earnings
Public Svc Indiana	$164	$ 683	4.2	NM	4.9	11⅛	12⅛– 6⅞	$0.00	—	0.8%
Kansas City Gas & Elec	98	250	2.6	1.3	0.8	17½	19⅛– 9⅜	1.18	6.7%	130.7
Eastern Utilities	50	113	2.3	1.9	2.2	31⅜	37 –18⅜	2.18	6.9	NA
Portland General	160	350	2.2	3.6	2.9	25⅜	28⅛–17⅝	1.90	7.4	25.6
Cilcorp	81	160	2.0	4.4	3.4	32	32⅞–22¼	2.28	7.1	1.0
Kentucky Utilities	84	165	2.0	4.2	2.7	37¼	38 –26	2.52	6.8	0.5
Iowa Resources	86	146	1.7	3.3	2.5	40¾	42 –31	3.20	7.9	NA
PacifiCorp	641	1,080	1.7	2.4	3.7	33⅜	35⅜–27	2.40	7.2	19.8
Idaho Power	97	152	1.6	3.2	2.0	25	27¾–20	1.72	6.9	19.1
Midwest Energy	71	110	1.6	3.2	2.8	40⅞	43⅜–26¾	2.96	7.2	1.8

E: estimated. NA: Not available. [1] Allowance for funds used during construction *(see text).* *Sources: Salomon Brothers, Dean Witter*

exposure" shows the total investment in unfinished nuclear plants expressed as a percentage of shareholder equity. To take a worst-case regulatory catastrophe, if Long Island Lighting simply had to write off its Shoreham plant and a nuclear plant that isn't ready yet, it would have a pretax loss equal to 203% of shareholder equity. Lilco hasn't paid a common dividend in two years and is $127 million in arrears on its preferred dividends.

Risk-tolerant investors may be interested in Northeast Utilities. The firm recently completed construction on the Millstone 3 plant in Connecticut, and it hopes to start getting electricity from its 4.1% interest in the Seabrook 1 plant in New Hampshire later this year. Construction outlays are winding down, making dividend raises more affordable.

The last two tables examine a utility's ability to pay for its construction. The column "Cash/construction" shows how estimated construction costs could be paid with internal cash rather than debt or new equity. Tucson Electric Power, which doesn't even have any nuclear plants to worry about, falls far short of covering current construction outlays with its earnings and depreciation. It won't be short of cash, however, since it has already financed its $950 million construction budget.

Nancy Fertig of Dean Witter suggests looking skeptically at the percentage of earnings made up of allowance for funds used during construction. This is a noncash credit—phantom earnings, really—which pretends that the company is earning a return on plants still abuilding. A project on which $2 billion was spent over the last decade, for example, might be carried on the books at $2.5 billion, including $500 million in capitalized phantom earnings. If all goes well, the company will get real revenues in later years that give it credit for having built a $2.5 billion plant. But all may not go well, and the $500 million of past "earnings" may prove to be very hypothetical indeed. So, generally speaking, the smaller the contribution of phantom earnings, the higher the quality of earnings and the stronger the possibility of a continuance of dividends. ■

Dividends that may have to yield

These utilities aren't able to cover construction expenditures with cash flow. A high ratio of AFDC (allowance for funds used during construction) to earnings can also spell trouble, since AFDC is a noncash credit.

Company	1986E + 1987E const expend (mil)	1986E + 1987E internal cash (mil)	cash/ const	Interest coverage	Cash flow/ dividend 1985	Price recent	Price 52-week high–low	Dividend	Yield	AFDC[1]/ earnings
Gulf States Util	$477	$100	0.2	1.4	1.1	10	16½– 9⅞	$1.64	16.4%	104.0%
Ohio Edison	820	206	0.3	1.4	1.2	18½	20¾–14	1.92	10.4	90.5
Pub Svc New Mex	297	92	0.3	2.3	1.3	32¾	37½–25	2.92	8.9	66.0
Orange & Rock Util	169	54	0.3	4.7	3.4	30⅞	32 –24⅜	2.14	6.9	5.0
Tucson Elec Power	371	124	0.3	3.3	2.3	53¼	54¾–36⅞	3.30†	6.2	59.7
Detroit Edison	520	175	0.3	1.7	1.8	16¾	19⅜–14	1.68	10.0	73.7
Philadelphia Elec	1,292	455	0.4	1.9	0.6	17¾	20¼–13⅞	2.20	12.4	99.7
United Illuminating	127	50	0.4	2.2	2.8	31⅜	35¼–15	2.32	7.4	NA
AZP Group	633	260	0.4	2.3	1.7	28⅜	32 –22½	2.72	9.5	20.1
Commonwealth Edison	2,985	1,250	0.4	2.0	1.9	31¼	35¾–27	3.00	9.6	70.8

E: estimated. NA: Not available. [1] Allowance for funds used during construction *(see text).* † Stock distribution of Alamito.

Sources: Salomon Brothers, Dean Witter

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JUNE 16, 1986 THREE DOLLARS FIFTY CENTS

Forbes

This is the Honda plant in Marysville, Ohio.
2,423 workers produce 875 cars per day.

This is the AMC Jeep plant in Toledo, Ohio.
5,400 workers produce 750 cars per day.

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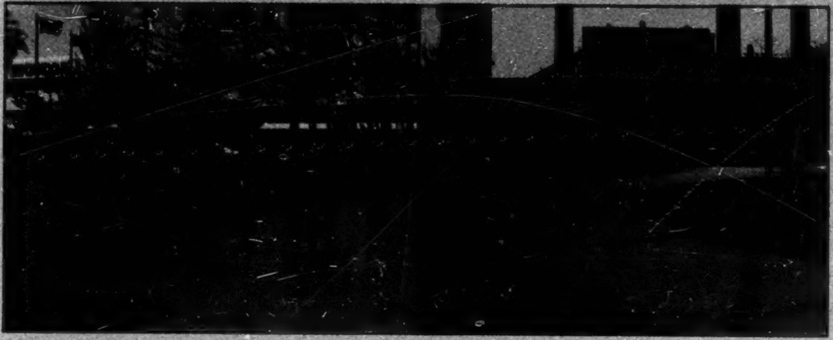
NUMBER 13



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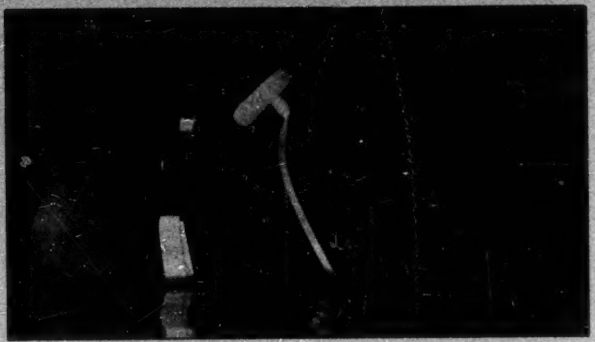

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June 16, 1986 Volume 137 Number 13 Forbes (ISSN 0015 6914) is published biweekly except weekly during two weeks in April, two weeks in September and two weeks in October, by Forbes Inc., 60 Fifth Ave., New York, N.Y. 10011. Second class postage paid at New York, N.Y. and at additional mailing offices. Subscription $42 a year, U.S.A. Postmaster: Send address changes to Forbes, 60 Fifth Ave., New York, N.Y. 10011. Copyright © 1986 Forbes Inc. Title is protected through a trademark registration in the U.S. Patent Office.

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What's Ahead for Business

Edited by Howard Banks

THE TRADE IMBALANCE: WORSE NEWS AHEAD

Japan's surplus, already massive, is still growing

Boosted by lower oil costs, Japan's world trade surplus could hit an amazing $80 billion this year, from $46 billion in 1985.

Prime Minister Nakasone, facing national elections and fighting for his political life, will be of limited help to the U.S. beyond urging the Japanese people to buy imports. Reflating to spur consumption is resisted by Nakasone's Liberal Democrat Party. Meanwhile, even as they moan about the strengthening yen, Japanese businessmen invest to become even more efficient exporters.

Europe is being hit two ways by fewer export orders: from the U.S., as the dollar weakens, and from OPEC countries with less to spend. The urge rises to subsidize and protect.

Inevitably, U.S. protectionism is rising, too. President Reagan says he will veto the House trade bill (if the Senate passes it), which would sharply limit exports. But he can't hang tough totally. Note that he has agreed to limit machine-tool and chip imports.

Should the dollar decline further? And will it do so?

Here are two views on possible outcomes of these trade tensions.

Some Commerce Department economists believe that the dollar will have to decline further than the 30% drop since early 1985.

They argue that most U.S. trade is with countries like Canada and Mexico, whose currencies move with the dollar, and with less-developed countries. The LDCs must export or they will default on their debt, thereby threatening U.S. banks. Therefore, Commerce economists argue, Japan and Europe will bear greater strain.

In contrast is the view of Roger Brinner of DRI, the Lexington, Mass.-based economic consulting firm. He expects a "soft landing" from the dollar's decline. He predicts that, in real terms, there will be a sizable upward swing in U.S. exports and a slowing down of nonoil imports beginning this year. This should offset less rapid growth in domestic spending, squeezed by Gramm-Rudman-Hollings.

Brinner expects a good 1987. Rising exports should ease concerns about losing jobs abroad, and lead to stable manufacturing output and capacity use and also stable inflation. Rising import prices will be offset by a lower oil bill.

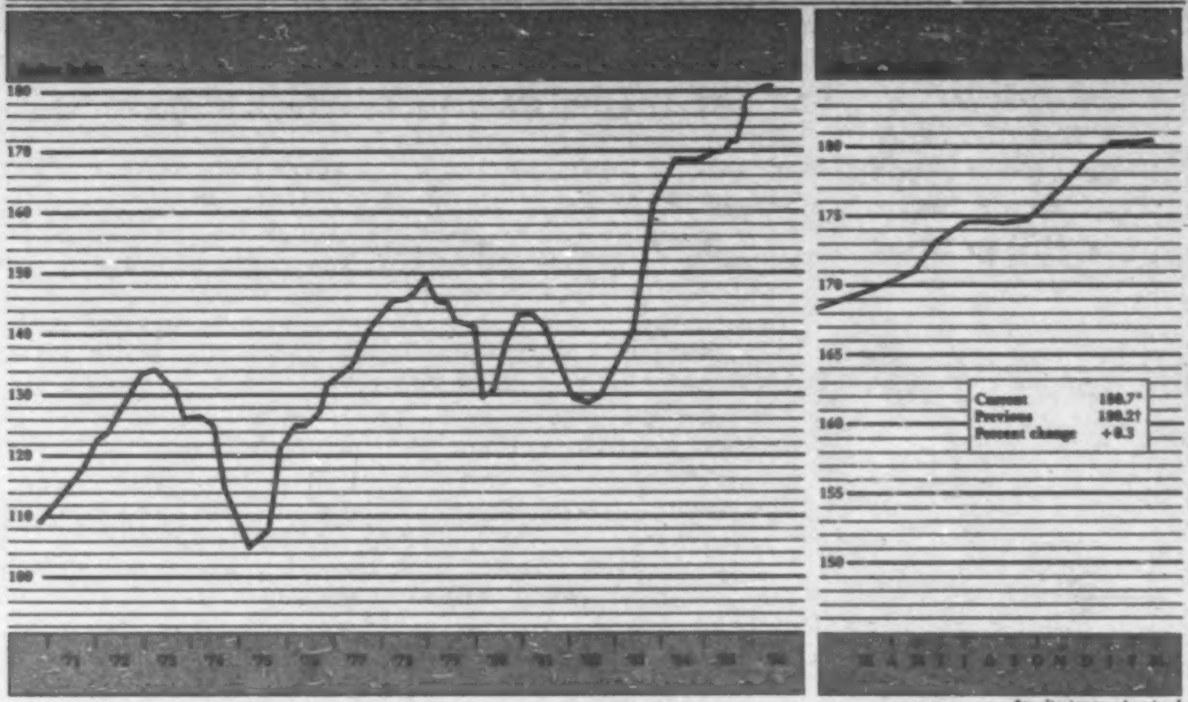
More than enough pain to go around

Whichever view holds, solving the U.S.' dilemma over the trade deficit also requires self-help—cutting the budget deficit leading to lower interest rates and a lower dollar.

But it will also mean severe disruption for Japan and, to a lesser extent, for West Germany and the rest of Europe. That is the price for keeping the world's economy moving—a burden that has rested solely on the U.S.' shoulders since 1981-82.

The U.S. will pay a price, too. Imports' share of the U.S. economy will continue to rise, if at a slower pace. This implies, among other things, heavy pressure to hold down increases in real wages here.

The Forbes Index



*preliminary †revised

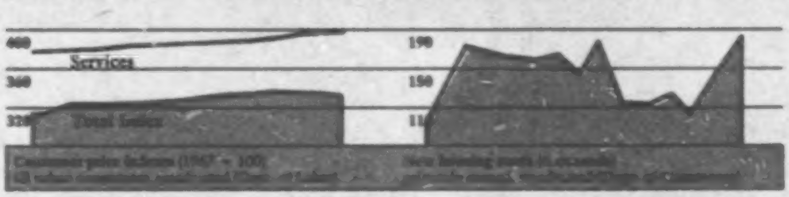
Hammers and nails. The Forbes Index, ending a one-month siesta, climbed 0.3% during the latest reporting period. Main reasons: a 26% month-to-month jump in new housing starts and a 4.5% decline in unemployment claims. Lower interest rates and rising personal income helped boost housing starts 6.7% higher than they were during the same time last year. Personal income scored a 0.2% increase over the previous month, while retail sales rose 0.5%.

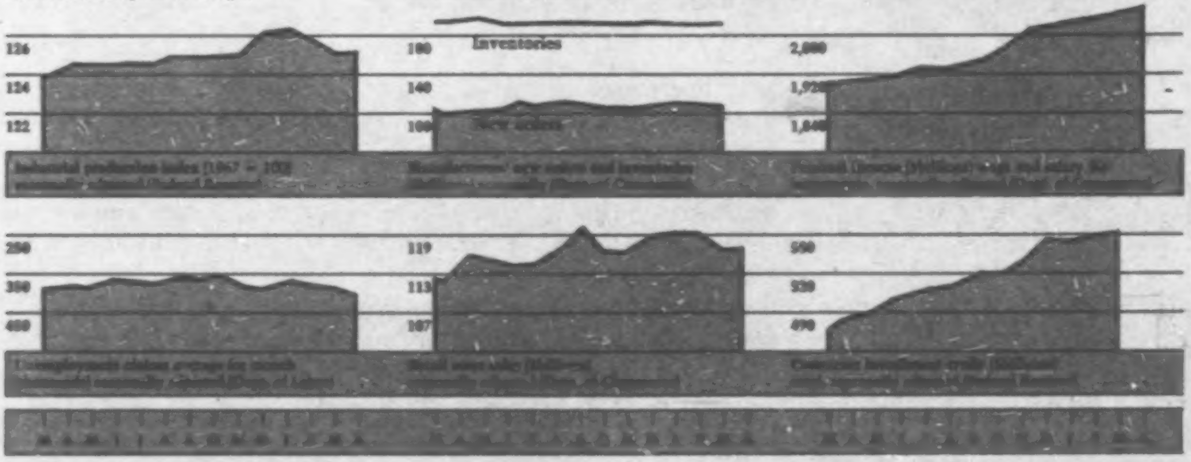
Lower energy prices were the main force behind the third consecutive monthly drop in the overall Consumer Price Index. The CPI fell 0.2%, but the services component of the CPI went up by 0.5%, the largest month-to-month increase since January.

The Forbes Index Components

The Forbes Index is a measure of U.S. economic activity composed of eight equally weighted elements: Total industrial production, new claims for unemployment compensation, the cost of services relative to all consumer prices, the level of new orders for durable goods compared with manufacturers' inventories, total retail sales, new housing starts, personal income, total consumer installment credit.

To measure these eight elements, FORBES monitors ten series of U.S. government data. The last 14 months' data for each series are presented at right.





What happens when monopoly suppliers suddenly are faced with competitors delivering the same products at lower prices?

Dear pharmacist

By Allan Dodds Frank

"Dear Pharmacist:" began the telegram from Sandoz Pharmaceuticals to druggists across Illinois, "To limit your liability . . . dispense only Mellaril. . . . The Sandoz Pharmaceuticals pharmacist's product liability protection policy will not defend or indemnify a pharmacist . . . when the case involves substitution of the product of another manufacturer."

Get the point? If you substitute a generic drug for one of ours, it's not our problem if you get sued. The telegram was an early salvo in a three-year drive by Sandoz and other patented brand name (ethical) drugmakers to spread mistrust of cheaper equivalents manufactured by competitors.

The angst of ethical manufacturers derives from a 1984 federal law greatly streamlining approvals for generic drugs. These are drugs copied after 17-year patents held by various brand name manufacturers have expired.

The speed-up means that by 1990 generic suppliers are expected to duplicate nearly all the top 100 patented prescription drugs. No longer do manufacturers enjoy the fat, postpatent profits possible when regulatory barriers meant costly waits of five years or more to get approval for marketing a generic. Now, FDA approval is fast and cheap. That means a huge, $6 billion slice of the $20 billion pharmaceuticals market is coming up for grabs.

Nearly $4 billion in sales has already been exposed to generic competition this year as patents have expired on nine of the top ten brand name drugs, and ethical drugmakers are feeling pinched. In 1984 American Home Products sold $500 million worth of three big drugs—Inderal, Ativan and Serax—that are now off patent. The firm faces what analysts think could be as much as a 25% market share decline in 1986 in those products. Stakes are even bigger for Merck and Eli Lilly. Each will lose patent protection by 1990 for ten or more patented products totaling more than $800 million annual sales.

Up for grabs

Expiring patents on moneymaking drugs mean major pharmaceutical companies face generic competition.

Company	Products losing patent by 1989	Estimated 1984 sales ($mil)	% of total sales
Merck	10	867*	24%
Eli Lilly	10	829	21
[illegible]	6	217	15
Pfizer	8	582	14
Hoffmann-LaRoche	3	395	9*
SmithKline Beckman	3	250	15
Upjohn	3	365	17
Bristol-Myers	3	215	6
Johnson & Johnson	1	129	2
Warner-Lambert	4	117	4

*Estimated. Source: Morgan Olmstead Kennedy & Gardner

Thus, to preserve margins in the face of eroding sales, brand name manufacturers this year have boosted prices by 10% to 20% or more on most drugs still patented. Some ethical manufacturers are even making generics themselves. One, American Home, this spring bought majority control of Quantum Pharmics, a New York manufacturer that produces a major generic competitor to American Home's tranquilizer, Ativan, which last year had estimated domestic sales of nearly $125 million.

Meanwhile, the ethical manufacturers are not unhappy when questions get raised about the efficacy of generic drugs. One of the most aggressive, American Home Products, is funding the Philadelphia College of Pharmacy & Science to question the efficacy of generics, and has also hired doctors to tour the country promoting brand name use. The company also runs advertisements in medical publications raising doubts about generic substitutes for Inderal, the firm's bestselling hypertension medicine. With nearly a dozen cheaper generic competitors on the market, another manufacturer, Hoffmann-LaRoche Inc., now carves a distinctive "V" in its Valium tranquilizer tablets to encourage consumers to ask for the brand name.

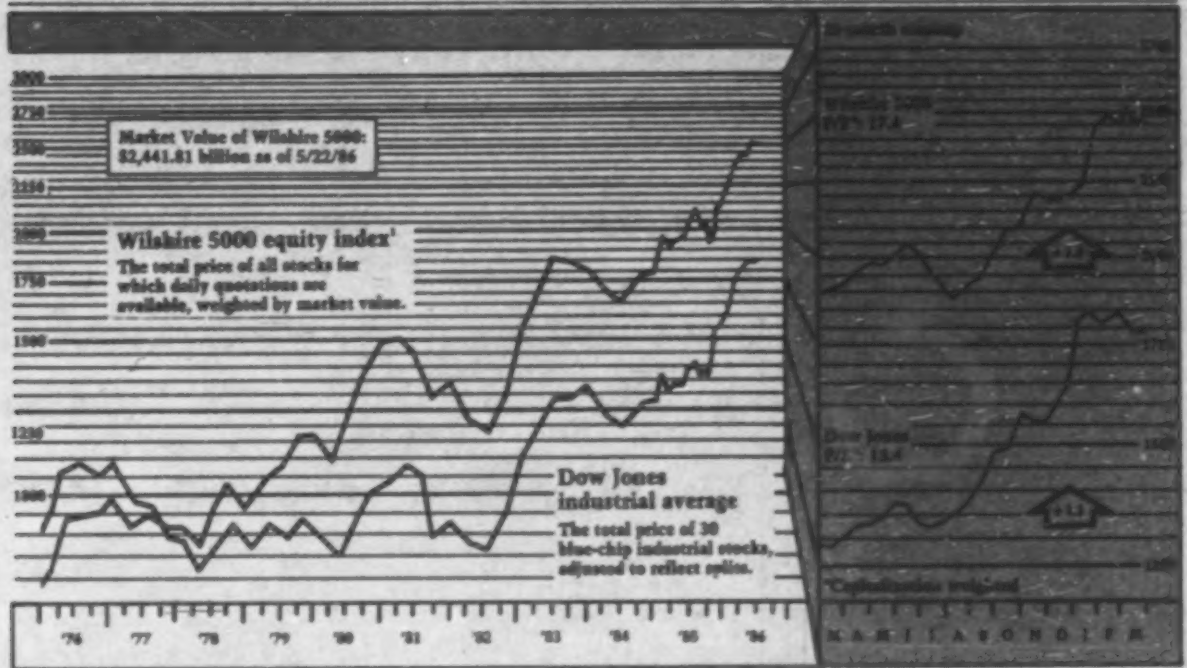
But are brand name drugs truly better? The answer, it seems: not much, if at all. Problems with patients using generics seem to be statistically insignificant. Says Dr. Peter Rheinstein, director of the FDA's office of drug standards: "There are a number of people trying to make you believe that somehow the active ingredient that comes from the brand name drug has a different or better effect. That has not been borne out in any tests we've seen."

Now the generic manufacturers are fighting back. Three months ago a Pittsburgh generics manufacturer, Mylan Laboratories Inc., won nearly $1 million from Sandoz in an out-of-court settlement, after threatening to sue the firm for smear tactics in its antigeneric campaign. The settlement followed a censure of Sandoz several months earlier by the U.S. Food & Drug Administration, which charged the company with "flagrant, repeated and willful" violations of U.S. drug marketing regulations. The FDA forced Sandoz to send 49,112 pharmacists retractions of statements made by the firm that disparaged generics.

Overall, the antigeneric campaign seems to have backfired. By attacking the products, the ethical drug companies have focused attention not just on generics but on price increases instituted by brand name manufacturers to keep profits up in the face of new competition. By bad-mouthing their new competitors instead of competing with them head-on, brand name manufacturers are simply teaching an entire class of consumers to be mistrustful of their claims. ■

The Forbes/Wilshire 5000 Review

Edited by Steve Kichen



Very quiet, and then boom! In the final trading day of a somewhat dull two-week period, the Dow rose some 31 points. To be sure, a 31-point jump on the Dow isn't what it used to be. Each Dow stock has to go up only a point to raise the average approximately 30 points. That's because the divisor on the Dow average is very close to 1.0. That 31-point increase pushed the Dow up 1.8%. A 1.8% move in one day means the market is jumpier than usual, but not a lot jumpier. A typical one-day move is about 1.25%.

The highly liquid stock-index-futures market can help move the market quickly. When speculators or pension funds turn bullish and buy futures, their bullishness is quickly transmitted to the stock market by arbitragers.

In any event, the one-day rally enabled the market to end the recent two-week period with modest gains. The Dow, the NYSE and the Wilshire all finished around 1% higher. The Amex rose 1.4%, while over-the-counter issues were up by 0.6%.

Closeup On The Equity Markets

Performance of six leading indexes

Percent change	Wilshire 5000	Forbes 500²	Dow Jones Industrials	NYSE Composite	Amex Market Value Index	NASDAQ Composite
in last 4 weeks	-0.8	-0.9	-1.4	-0.9	1.5	-0.5
in last 52 weeks	30.1	27.9	29.5	27.4	20.4	22.4

Stock performance based on six key investor yardsticks

Percent change	Company size		Volatility³		P/E multiple		Dividend yield		Growth profile⁴		Share price	
	large	small	high	low	over 25	under 5	over 7.5%	none	high	low	over $40	under $[illegible]
in last 4 weeks	-0.6	3.7	2.5	0.5	0.2	0.2	-0.5	0.1	3.6	-0.2	0.7	3.8
in last 52 weeks	30.8	64.5	71.3	31.5	24.3	42.6	25.2	35.6	63.9	37.8	45.2	[illegible]

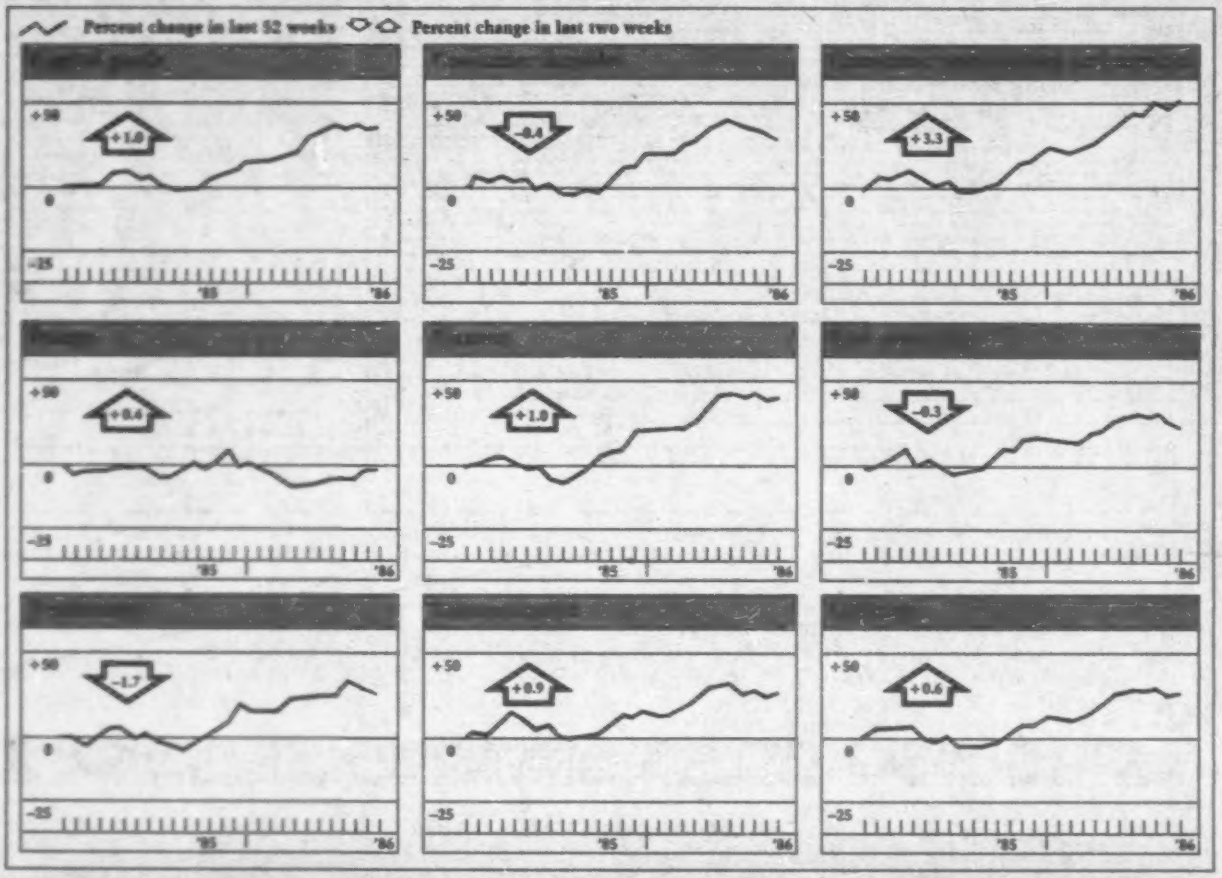
[1] Wilshire index reflects price performance. It differs slightly from market value of outstanding stocks because of retirements of equity since index was created.
[2] Based on sales.
[3] A stock's sensitivity to overall market movement. High-volatility issues have wide price fluctuations, low-volatility issues are more stable.
[4] A quantitative evaluation of a stock's growth image, determined by Wilshire Associates.

Note: All data for periods ending 5/22/86. Prepared by Wilshire Associates, Santa Monica, Calif.

Where The Action Is

To be in pictures. With a 3.3% gain in two weeks, consumer nondurables continue to outpace the other Wilshire sectors. Leading this group was Lorimar Telepictures, with almost a 24% gain. This Culver City, Calif.-based firm recently announced a plan to buy six TV stations from SCI Holdings (formerly Storer Broadcasting) and one from Wometco Broadcasting and then to set up a separate public company to own the stations. Two other strong consumer nondurable stocks were Charming Shoppes and Petrie Stores. Each gained more than 20%.

The technology sector posted the biggest loss, a decline of 1.7%. But within this group Loral, the defense electronics contractor, and Apple Computer both scored double-digit increases.



What The Analysts Think

A study in contrasts. While utilities sell at only 9.4 times estimated 1986 earnings, raw materials have an estimated multiple of 15.5, the second-highest P/E among the sectors. Wall Street hiked 1986 earnings estimates of utilities 3.8% over the past four weeks. Meanwhile, estimates for the raw materials sector were cut 3%.

Performance period	Average earnings per share	P/E
latest 12 months	$2.93	16.2
1986 estimates	3.78	12.5
1987 estimates	4.38	10.9

1	Utilities	$3.25	9.4	1.69%	3.80%
2	Consumer nondurables	2.36	16.6	0.48	0.49
3	Finance	3.73	10.6	–0.13	–0.24
4	Technology	2.64	14.8	–0.31	–1.17
5	Capital goods	2.70	14.8	–0.35	–0.57
6	Consumer durables	4.28	9.7	–0.51	–0.81
7	Raw materials	2.05	15.5	–2.03	–3.00
8	Transportation	2.23	13.4	–3.91	–6.28
9	Energy	2.24	12.7	–7.93	–11.14

Earnings projections are capitalization-weighted consensus estimates from over 2,000 security analysts. Data are compiled and updated continuously by the Institutional Brokers Estimate System (IBES), a service of Lynch, Jones & Ryan, a New York-based brokerage firm.

Note: All data for periods ending 5/22/86. Prepared by Wilshire Associates, Santa Monica, Calif.; IBES, a service of Lynch, Jones & Ryan, New York.